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TRANSCRIPTION OF RECORDED INTERVIEW

OF

Dave Saxby

August 27, 2012

Sacramento, California

Investigation of Department of Parks &  
Recreation - Financial Irregularities

Interviewed by: Thomas M. Patton  
Deputy Attorney General  
Office of the Attorney  
General  
State of California

Transcribed by: David Rutt,  
eScribers, Inc.  
September 7, 2012  
New York, New York

(SA201210710)

--o0o--

1 MR. PATTON: Okay. We're on the  
2 record. And this is Deputy Attorney General  
3 Thomas Patton. The date is Monday, August 27,  
4 1:30 p.m. We are at Department of Parks and  
5 Recreation Headquarters, 1416 9th Street, 10th  
6 Floor admin offices, and we are here with Mr.  
7 David Saxby. And with me today, Mr. Saxby, is  
8 Michael Mattson. Michael is an investigator  
9 with the Department of Justice. I'm as well  
10 with the Department of Justice. I'm an  
11 attorney. He's an investigator. But I'm  
12 going to do -- lead the interview here. And  
13 as you can see, I'm making a little record  
14 here.

15 And you received a letter from me on  
16 Friday, correct?

17 MR. SAXBY: Correct.

18 MR. PATTON: Which indicated we were  
19 asking you to be present for an interview.  
20 It's an administrative investigation and  
21 interview and told you you had the right to  
22 have someone here, an attorney or  
23 representative, anyone not connected with the  
24 investigation. You understand that?

25 MR. SAXBY: Yes.

1 MR. PATTON: I see you came alone.

2 MR. SAXBY: Yes.

3 MR. PATTON: And we're taping this  
4 interview, and you have the right to also tape  
5 it if you wish. I see you're not, but if you  
6 desire down the road, you can be furnished a  
7 copy of this when this investigation is all  
8 finished.

9 And I'm going to ask you some  
10 questions relating to your official duties,  
11 matters relating to -- we are investigating  
12 financial reporting issues, some discrepancies  
13 between what's been reported at the State  
14 Controller's Office by the Parks Department  
15 versus what has been reported to the State  
16 Department of Finance. I think you're aware  
17 of that, right?

18 MR. SAXBY: Yes.

19 MR. PATTON: And then I want to read  
20 this admonition. This is strictly an  
21 administrative investigation. While you have  
22 the right to remain silent with regard to any  
23 criminal investigation, this is not a criminal  
24 investigation, and I'm not suggesting there is  
25 one or would be one, just pointing out that

1 while you'd have the right to remain silent  
2 with regard to any criminal investigation,  
3 this is an administrative interview, and you  
4 do not have the right to refuse to answer  
5 administrative questions.

6 Nothing you say or any information  
7 or evidence gained through this process could  
8 ever be used against you in any criminal  
9 proceeding, only can be used as part of this  
10 administrative investigation. So we're  
11 instructing you to discuss this matter with me  
12 honestly, completely, and failure to do so, to  
13 evade, any deception could be cause for  
14 disciplinary action, although I understand  
15 tomorrow's your last day.

16 MR. SAXBY: Better write it quick.

17 MR. PATTON: Yeah. So with that  
18 said --

19 MR. SAXBY: Just have a boilerplate.

20 MR. PATTON: Yeah, you understand  
21 the boilerplate? I think you got it, right?

22 MR. SAXBY: Yes.

23 MR. PATTON: All right. Now, so  
24 we're going to talk about a number of things,  
25 but our focus is going to be about this

1 financial reporting alluded to, but first  
2 let's talk about who you are and your  
3 background. So tell me who you are and how  
4 you spell your name.

5 MR. SAXBY: David Saxby, D-A-V-I-D  
6 S-A-X-B-Y.

7 MR. PATTON: And what's your  
8 position with the Parks Department?

9 MR. SAXBY: I am a CEAl, Assistant  
10 Deputy Director for Administrative Services.

11 MR. PATTON: Okay. So in that  
12 position, Assistant Director Admin Services,  
13 you report directly to?

14 MR. SAXBY: The Deputy for Admin  
15 Services.

16 MR. PATTON: The Deputy Director for  
17 Admin Services?

18 MR. SAXBY: Yes.

19 MR. PATTON: Who is currently Aaron  
20 Robertson?

21 MR. SAXBY: Aaron Roberts (sic).  
22 Was Manuel Lopez.

23 MR. PATTON: Okay. Now, I noticed  
24 from reading prior transcripts that I think  
25 you and the person you were talking to before

1 tended to talk fairly quickly, and you tended  
2 to complete each other's sentences and not  
3 wait until a sentence was complete. We're not  
4 going to have that happen.

5 MR. SAXBY: Okay.

6 MR. PATTON: Okay. Thank you. So I  
7 will wait, you will wait, and it will be much  
8 easier for a transcriber, and it will also  
9 make the interview much clearer.

10 So you are the Assistant Director  
11 Admin Services reporting to the Deputy  
12 Director for Admin Services. And then tell me  
13 about your background with the State.

14 MR. SAXBY: Okay. I worked for the  
15 State for thirty years, mostly for Caltrans.  
16 I also worked for Integrated Waste Management.

17 MR. PATTON: Let's start at the  
18 beginning.

19 MR. SAXBY: Okay.

20 MR. PATTON: You got thirty years  
21 in. Where did you start?

22 MR. SAXBY: I started as a toll  
23 collector for Caltrans as a summer replacement  
24 in 1970.

25 MR. PATTON: A seasonal toll

1 collector?

2 MR. SAXBY: Yep. I was going to  
3 Davis at the time, and somebody that I was  
4 working with at Davis Unified School  
5 District -- I was laying sod at the time.

6 MR. PATTON: This is 1970?

7 MR. SAXBY: Yeah, in the summer, it  
8 was in the summer and --

9 MR. PATTON: Where did you collect  
10 tolls?

11 MR. SAXBY: I collected tolls at  
12 Benicia-Martinez back then.

13 MR. MATTSON: Cortinez (ph.)?

14 MR. SAXBY: Huh?

15 MR. MATTSON: The Cortinez?

16 MR. SAXBY: No, just Benicia-  
17 Martinez then.

18 MR. MATTSON: Oh, okay.

19 MR. SAXBY: That's where I started,  
20 was my first rotation. I was laying sod. Guy  
21 called me up and said, hey, this is a great  
22 gig, come down here, they're paying a lot of  
23 money, and the guy who's hiring is an alumni  
24 from Davis. So I went down, got hired. It  
25 was a great gig.

1 MR. PATTON: What did they start at  
2 hourly in the '70s?

3 MR. SAXBY: Back then, I made 600 a  
4 month, which was a lot of money for the '70s.

5 MR. PATTON: For how many hours?

6 MR. SAXBY: Eight hours.

7 MR. PATTON: Forty hours?

8 MR. SAXBY: Yeah, forty hours a  
9 week.

10 MR. PATTON: 150 a week?

11 MR. SAXBY: Yeah.

12 MR. PATTON: Thirty dollars a day?

13 MR. SAXBY: Yeah. That was a lot of  
14 money, more than I was making because I was  
15 making 2.50.

16 MR. PATTON: Like 3.75 an hour.

17 MR. SAXBY: Yeah. I was making 2.50  
18 doing -- laying sod.

19 MR. PATTON: About 3.75 an hour.

20 MR. SAXBY: Yeah. But the good part  
21 was, because you were summer replacement and  
22 there were no controls back then, I could work  
23 two shifts. So I worked two shifts seven days  
24 a week for the summer. I made a lot of money.

25 MR. PATTON: Who was your --

1 MR. SAXBY: I had a lot of toys.

2 MR. PATTON: When is your first  
3 full-time permanent?

4 MR. SAXBY: My first full-time  
5 permanent was in '71. I was still going to  
6 school. The summer -- my summer replacement  
7 was on vacation, and he had a heart attack,  
8 and so they asked me if I wanted to come full  
9 time, and I said, can I work grave shift? And  
10 they said, yes, and it took them a couple of  
11 months to get me on it, and then I worked  
12 grave shift at the Benicia Bridge.

13 MR. PATTON: So your first full-time  
14 permanent position was with Caltrans starting  
15 in 1971 as a toll collector?

16 MR. SAXBY: Yes.

17 MR. PATTON: What happened after  
18 that?

19 MR. SAXBY: I graduated, made more  
20 money than any graduate was going to make in  
21 his entry job so --

22 MR. PATTON: As a toll collector?

23 MR. SAXBY: As a toll collector,  
24 yeah.

25 MR. PATTON: Graduated from where?

1 MR. SAXBY: Davis, UC Davis.  
2 MR. PATTON: In what?  
3 MR. SAXBY: Poli Sci.  
4 MR. PATTON: Okay.  
5 MR. SAXBY: And I worked there three  
6 years, I think. Let's see, '71 until '7 --  
7 yeah, '73 two years -- two more years.  
8 Somebody came to me and said, hey, there's an  
9 ad in our local newspaper for toll collectors,  
10 and there was an ad there that said, if you  
11 have a degree, call this number. So I called  
12 the number and got rotated into the management  
13 training program.  
14 MR. PATTON: For toll collectors?  
15 MR. SAXBY: No, for the organization  
16 of toll collection.  
17 MR. PATTON: Caltrans.  
18 MR. SAXBY: Caltrans, yeah.  
19 MR. PATTON: Okay.  
20 MR. SAXBY: Called the Bay Toll  
21 Authority back in those days.  
22 MR. PATTON: Okay.  
23 MR. SAXBY: Worked out of San  
24 Francisco, was on a rotational program, worked  
25 there a couple of years. Then a friend of

1 mine came up to Sacramento on a special  
2 project, called me and said, they need a  
3 Budget Officer up here, you're just the guy  
4 they need, and I've told them about you and  
5 they want to talk to you next week. So I  
6 went -- came up for an interview, and they  
7 offered me the job.

8 MR. PATTON: Just the guy they  
9 needed because of all the budgeting and  
10 accounting they were teaching in the Poli Sci  
11 Program at Davis?

12 MR. SAXBY: No, just -- I was a  
13 spreadsheet technical kind of guy. I just --  
14 I liked numbers for some reason; it's just  
15 what I liked. And I -- the jobs that I  
16 rotated through, I ended up being in Traffic  
17 Ops and Accounting Statistics and doing the  
18 accounts for all of the tolls, how many cars  
19 go across and filling out those reports so --

20 MR. PATTON: That was a feeble  
21 attempt on my part to be funny.

22 MR. SAXBY: Facetious?

23 MR. PATTON: Well, you finished my  
24 sentence there.

25 MR. SAXBY: Oh, excuse me.

1 MR. PATTON: I'll go with --

2 MR. SAXBY: Okay.

3 MR. PATTON: I'll go with facetious.  
4 No, I like numbers, too.

5 MR. SAXBY: Yeah.

6 MR. PATTON: All right. So you went  
7 into the manage program at Caltrans mid '70s,  
8 and then what? I'm sorry. And then someone  
9 pulled you over to go work on Budgets?

10 MR. SAXBY: Here in headquarters.

11 MR. PATTON: Headquarters --

12 MR. SAXBY: Here in Sacramento.

13 MR. PATTON: At Caltrans?

14 MR. SAXBY: Yes. So I moved from  
15 Sacramento -- or San Francisco up here to  
16 Sacramento.

17 MR. PATTON: Now, Caltrans has a lot  
18 of different divisions.

19 MR. SAXBY: Absolutely.

20 MR. PATTON: Were you assigned to a  
21 particular division or is your budget  
22 responsibility for the organization as a  
23 whole?

24 MR. SAXBY: Then it was a division.

25 MR. PATTON: What division?

1           MR. SAXBY: Office of Equipment.  
2     And then I left and I went -- let's see. I  
3     think that was in '75. I left Caltrans and  
4     went to Consumer Affairs for two years because  
5     they had a study that I wanted to do, and I  
6     thought I would get a promotion there, and  
7     they were having a layoff at Caltrans, and I  
8     was low in seniority.

9           MR. PATTON: So you went to Consumer  
10    Affairs when?

11           MR. SAXBY: In '75.

12           MR. PATTON: All right. Worked  
13    there a couple of years?

14           MR. SAXBY: Worked there a couple  
15    years. Came back to Caltrans and went to a  
16    different program called Highways, which was  
17    responsible for all of the programming of the  
18    projects. And I was the general admin guy  
19    there. I did facilities, and I did budgeting,  
20    and I did space management and that kind of  
21    stuff. And I supervised the clerical pool.  
22    Then the guy that I worked for at Office of  
23    Equipment was appointed as the Direct Director  
24    down in Fresno, and he called me and he wanted  
25    me to come down there to help them with their

1 mass trans program, bus, bike, rail, car pool.  
2 MR. PATTON: And you went?  
3 MR. SAXBY: And I went down.  
4 MR. PATTON: When?  
5 MR. SAXBY: That was in '78.  
6 MR. PATTON: And how long were you  
7 in Fresno?  
8 MR. SAXBY: I was there a year.  
9 MR. PATTON: Then what happened?  
10 MR. SAXBY: Then I came back up to  
11 headquarters into the budget shop.  
12 MR. PATTON: Caltrans?  
13 MR. SAXBY: Caltrans. And I worked  
14 there as a program budget analyst for --  
15 MR. PATTON: Still in the Highways  
16 Division?  
17 MR. SAXBY: No. I was in the budget  
18 shop, so that was at admin then.  
19 MR. PATTON: Okay.  
20 MR. SAXBY: Shifted over to  
21 Administration and the budget program.  
22 MR. PATTON: Administration and  
23 Budget for the entire Caltrans Department?  
24 MR. SAXBY: Right.  
25 MR. PATTON: Okay. And you did what

1 there?

2 MR. SAXBY: I was --

3 MR. PATTON: In the budget shop.

4 MR. SAXBY: I was supervisor --

5 MR. PATTON: Okay.

6 MR. SAXBY: -- and managed a group  
7 of analysts and built the budgets for four  
8 districts. And we would build the budget, do  
9 the BCPs, go through the hearings. Then we  
10 would get the results, and we'd go back out  
11 and tell the programs what they got.

12 MR. PATTON: What hearings?

13 MR. SAXBY: Legislative hearings.

14 MR. PATTON: Okay. To get your  
15 appropriations?

16 MR. SAXBY: Yeah.

17 MR. PATTON: To get the budget --

18 MR. SAXBY: To get the budget  
19 approved.

20 MR. PATTON: -- proposal approved?

21 MR. SAXBY: Yeah.

22 MR. PATTON: Okay.

23 MR. SAXBY: And so then we would  
24 take them back out and share them with the  
25 district, and then we would monitor them.

1 MR. PATTON: This is in the early  
2 '80s?

3 MR. SAXBY: Yes.

4 MR. PATTON: So you -- were you part  
5 of the process back then of preparing budget  
6 submittals for the Department of Finance to go  
7 to the governor to become part of the proposed  
8 annual budget?

9 MR. SAXBY: Yeah. BCPs?

10 MR. PATTON: Well --

11 MR. SAXBY: It's a -- I mean, it  
12 depends upon the level, but there's -- BCPs is  
13 the normal document where it's a budget change  
14 proposal where you write up a new program  
15 need, you put it in a package, and it goes  
16 through Finance for review, goes to the  
17 legislature. It's the product that they're  
18 approving as a part of the budget process.  
19 I'm assuming that's what you're talking about.

20 MR. PATTON: Well, I -- maybe I'm  
21 not familiar enough with the process. My  
22 understanding is that as -- in the middle of  
23 each fiscal year in the fall of any calendar  
24 year --

25 MR. SAXBY: Yes.

1           MR. PATTON:  Don't talk while I'm  
2 saying something, okay?  Because that will  
3 make this very difficult to transcribe.

4           My understanding is that in the  
5 middle of a fiscal year towards the fall,  
6 because an annual budget gets worked up every  
7 year and it gets worked up for the entire stay  
8 for all the departments by the Department of  
9 Finance based on each department reporting to  
10 Finance and then what the Department of  
11 Finance puts together for the next upcoming  
12 fiscal year budget then is transmitted to the  
13 governor who may make some adjustments,  
14 usually does, and then the governor's budget  
15 is, by law, presented to the legislature in  
16 January.  And then we go through an annual  
17 routine of the legislature then reviewing, and  
18 they make -- obviously, it's a very  
19 complicated, time-consuming process.

20           So my -- you started giving me an  
21 answer about budget change proposals which my  
22 understanding is a particular budget change  
23 proposal is a smaller subset of an annual  
24 budget.

25           MR. SAXBY:  Correct.

1 MR. PATTON: So I guess I would  
2 just --

3 MR. SAXBY: So to answer your  
4 question, yes, I prepared the budget  
5 proposals.

6 MR. PATTON: Budget change  
7 proposals.

8 MR. SAXBY: Budget change proposals.  
9 These were submitted to Finance. They would  
10 review those. They --

11 MR. PATTON: Is that -- and I'm  
12 sorry to interrupt. Let me --

13 MR. SAXBY: That's okay.

14 MR. PATTON: Is the budget change  
15 proposal process part of what I described as  
16 the --

17 MR. SAXBY: Yes.

18 MR. PATTON: -- annual budget  
19 submission?

20 MR. SAXBY: Yes.

21 MR. PATTON: Okay.

22 MR. SAXBY: It's usually -- the  
23 budget process is a base plus a change, and  
24 the budget change proposal is the document  
25 that recommends a change, either up or down.

1 MR. PATTON: So you're taking  
2 basically your last year's operating budget --

3 MR. SAXBY: Right.

4 MR. PATTON: -- and then you're  
5 making adjustments. And those adjustments are  
6 budget change proposals?

7 MR. SAXBY: Right.

8 MR. PATTON: Okay.

9 MR. SAXBY: New program, increased  
10 program, larger workload, and your document is  
11 a justification for whatever you're asking  
12 for. Goes to Finance. They review those.  
13 They interview you. They come over and work  
14 it out, and then they either approve them or  
15 not and then carry them forward, and that  
16 becomes the governor's budget.

17 MR. PATTON: So you are, over in the  
18 '80s, early '80s, working in the budget shop  
19 for Caltrans for the entire department.  
20 You're doing things like budget change  
21 proposal workups.

22 MR. SAXBY: Yeah.

23 MR. PATTON: And what was your  
24 position at that time?

25 MR. SAXBY: I was a supervisor.

1 MR. PATTON: Okay.

2 MR. SAXBY: Budget supervisor,  
3 staff -- it would have been probably  
4 equivalent to a 1 now.

5 MR. PATTON: And you were in charge  
6 of the secretarial pool?

7 MR. SAXBY: No.

8 MR. PATTON: No? Who did you  
9 supervise?

10 MR. SAXBY: I supervised analysts.

11 MR. PATTON: Okay.

12 MR. SAXBY: Associate level.

13 MR. PATTON: Okay. And then you did  
14 that. When he was your next --

15 MR. SAXBY: I did that --

16 MR. PATTON: -- job or promotion?

17 MR. SAXBY: I did that for a year.  
18 I did that for a year. Then I quit because I  
19 was bored. And my dad wanted me to come into  
20 business with him, so I moved up to Seattle.  
21 He had a travel agency. And I went up there  
22 and I don't know what I was thinking but --

23 MR. PATTON: What year was that?

24 MR. SAXBY: That was in '80.

25 MR. PATTON: '80?

1 MR. SAXBY: Yeah.

2 MR. PATTON: Okay.

3 MR. SAXBY: I was up there for a  
4 year.

5 MR. PATTON: So you got ten -- you  
6 got ten years in.

7 MR. SAXBY: Yeah.

8 MR. PATTON: And then you take a  
9 year off.

10 MR. SAXBY: Yes. And -- well, I  
11 took a couple.

12 MR. PATTON: Couple years off.

13 MR. SAXBY: Right. I went up there.  
14 We couldn't really get along real well. I  
15 don't know why I thought we could.

16 MR. PATTON: You don't have to tell  
17 me the family history.

18 MR. SAXBY: Yeah. No -- but --

19 MR. PATTON: When did you come back  
20 to the state?

21 MR. SAXBY: So then in '81 I came  
22 back to the state, back into the budget shop.

23 MR. PATTON: Caltrans.

24 MR. SAXBY: Into Caltrans.

25 MR. PATTON: Okay. Doing what?

1 MR. SAXBY: Oh, I didn't go back  
2 into the budget shop. I went into -- I came  
3 back, and I was head of toll collection, of  
4 the managers of all the toll collectors. So I  
5 did that for a year.

6 MR. PATTON: All right.

7 MR. SAXBY: Then a friend of mine  
8 that I had worked with who had gotten me up to  
9 Sacramento in that first job at Office of  
10 Equipment, he had gone to Boston and started a  
11 couple of businesses, and he wanted me to come  
12 and help him with that, which was -- it was a  
13 health food business. So he wanted me to open  
14 a store with him. And so --

15 MR. PATTON: In Boston.

16 MR. SAXBY: In Boston.

17 MR. PATTON: And did you go?

18 MR. SAXBY: I did, I went --

19 MR. PATTON: What year?

20 MR. SAXBY: -- with the whole  
21 family. That was in '82. And so I went back  
22 and opened a store from scratch, learned the  
23 business.

24 MR. PATTON: Health foods?

25 MR. SAXBY: Health foods, yeah.

1 MR. PATTON: '82?

2 MR. SAXBY: In '82, yeah.

3 MR. PATTON: You're ahead of the  
4 health food power curtain.

5 MR. SAXBY: Well, but we were in  
6 Stoneham, Massachusetts, which is where  
7 Seventh Day Adventists are, which is a big  
8 community for health food.

9 MR. PATTON: How long were you in  
10 Massachusetts?

11 MR. SAXBY: Could only stand that  
12 for a year. His wife --

13 MR. PATTON: Okay. Don't give me  
14 their family history. What did you do after  
15 that?

16 MR. SAXBY: Okay. I came back to  
17 California. I was going to come back to work  
18 for the State and go into the budget shop.  
19 They were waiting for me.

20 MR. PATTON: At Caltrans.

21 MR. SAXBY: At Caltrans.

22 MR. PATTON: They're waiting for  
23 you?

24 MR. SAXBY: They were waiting for  
25 me, but there was a freeze and they couldn't

1 hire me. So when I got back, I didn't have a  
2 job, so I looked around and applied, and I --  
3 while I was in Massachusetts for that year, I  
4 got into computers, and I learned a little bit  
5 of programming and DOS and was playing with  
6 them and just -- with some friends, and so  
7 when I came back, I thought, well, I could  
8 sell computers. So I went and applied for a  
9 job at Capital Computers, and they hired me as  
10 a store manager. So I worked there for three  
11 years.

12 MR. PATTON: Three years in the  
13 computing business.

14 MR. SAXBY: Yeah.

15 MR. PATTON: For those who were born  
16 after DOS, that's disk operating system. All  
17 right.

18 MR. SAXBY: Yes.

19 MR. PATTON: Yes. Well, I got a  
20 question.

21 MR. SAXBY: Yeah.

22 MR. PATTON: So you worked for three  
23 years -- okay. Tell me where you went next.  
24 You go back to Caltrans at that point?

25 MR. SAXBY: Yes, I went back to

1 Caltrans.

2 MR. PATTON: What year?

3 MR. SAXBY: That was in '86.

4 MR. PATTON: Back into the budget  
5 shop?

6 MR. SAXBY: Back into the budget  
7 shop.

8 MR. PATTON: '86. Now, you said  
9 that -- so you've told me now that you've made  
10 two -- this is your third return to Caltrans  
11 we're on now.

12 MR. SAXBY: Yes.

13 MR. PATTON: And you said they're  
14 waiting for you.

15 MR. SAXBY: Yes.

16 MR. PATTON: Who's waiting for you  
17 over at Caltrans?

18 MR. SAXBY: My budget managers.

19 MR. PATTON: Who's that?

20 MR. SAXBY: It was a guy named  
21 Martin Kiff (ph.), and Jimmy Smith who was my  
22 supervisor.

23 MR. PATTON: I'm curious how you're  
24 able to reenter. It sounds like you've got --  
25 if there's a position available, the door's

1 going to be open to Dave Saxby.

2 MR. SAXBY: Yeah. I have return  
3 rights to the system.

4 MR. PATTON: Really?

5 MR. SAXBY: Yeah. But I was such a  
6 good worker and they loved the work that I  
7 did. I was -- people liked me --

8 MR. PATTON: All right.

9 MR. SAXBY: -- because I worked  
10 hard.

11 MR. PATTON: Okay. So you go back  
12 in in '86 --

13 MR. SAXBY: Yes.

14 MR. PATTON: -- back into the budget  
15 shop.

16 MR. SAXBY: Yes.

17 MR. PATTON: All right. In what  
18 position?

19 MR. SAXBY: Let's see. I went back  
20 in then just as an associate analyst.

21 MR. PATTON: Okay. So not at the  
22 same height you had previously been.

23 MR. SAXBY: No, at the same -- oh,  
24 yeah, at the same height.

25 MR. PATTON: Okay.

1 MR. SAXBY: Yeah, supervise -- I  
2 didn't have -- I wasn't supervising anybody  
3 because they had gray creep and so now you had  
4 to get a promotion to get a supervisor, so I  
5 just went back in at exactly the same  
6 associate level position that I left at.

7 MR. PATTON: Okay.

8 MR. SAXBY: And -- but the beauty of  
9 state services, all the raises that they got  
10 for those three years and everything that you  
11 get when you come back in.

12 MR. PATTON: Okay. So --

13 MR. SAXBY: And that was more money  
14 than I was making as a --

15 MR. PATTON: Then what happened?

16 MR. SAXBY: -- manager.

17 MR. PATTON: What happened next?

18 MR. SAXBY: I just kept working.

19 MR. PATTON: How long did you hold  
20 this budget analyst position?

21 MR. SAXBY: The budget analyst  
22 position I held --

23 MR. PATTON: Did I say that right?

24 MR. SAXBY: Yes.

25 MR. PATTON: That's what you --

1 MR. SAXBY: Budget --  
2 MR. PATTON: -- came back to --  
3 MR. SAXBY: Budget analyst.  
4 MR. PATTON: -- in '86?  
5 MR. SAXBY: Yes, budget analyst.  
6 MR. PATTON: Don't -- let me  
7 finish --  
8 MR. SAXBY: Oh, I'm sorry.  
9 MR. PATTON: -- my sentence. I'm  
10 going to repeat that part. Did I say that  
11 correctly? You came back in as a budget  
12 analyst?  
13 MR. SAXBY: Yes.  
14 MR. PATTON: Okay. How long did you  
15 hold that position?  
16 MR. SAXBY: I was there one year.  
17 MR. PATTON: And then what?  
18 MR. SAXBY: Then the guy that I  
19 worked for at Office of Equipment and I worked  
20 for in Fresno had come to headquarters, and he  
21 was now over Capital Outlay Support, the total  
22 Capital budget for Caltrans, people and  
23 dollars, and he needed a budget analyst. So  
24 he asked if I would come and work.  
25 MR. PATTON: And who is this person?

1 MR. SAXBY: Russ Licap (ph.).  
2 MR. PATTON: Okay.  
3 MR. SAXBY: And so I did.  
4 MR. PATTON: 1987?  
5 MR. SAXBY: Yes --  
6 MR. PATTON: Okay.  
7 MR. SAXBY: -- '87.  
8 MR. PATTON: How long did you work  
9 for Russ in Capital Outlay?  
10 MR. SAXBY: Ten years. Took a long  
11 time to develop the budget modeler.  
12 MR. PATTON: Okay. So we have a  
13 string of one-, two-, and three-year jobs, and  
14 now you hit your comfort zone.  
15 MR. SAXBY: In love, working,  
16 computers, building a modeler.  
17 MR. PATTON: '87 to '97?  
18 MR. SAXBY: Yeah.  
19 MR. PATTON: And you're a budget  
20 analyst.  
21 MR. SAXBY: Yeah.  
22 MR. PATTON: Is that your title  
23 there?  
24 MR. SAXBY: Yeah, yeah.  
25 MR. PATTON: Were you in charge of

1 the budget part of this Capital Outlay?

2 MR. SAXBY: Yes. Well, okay.

3 MR. PATTON: Let me ask a couple  
4 clarifying questions.

5 MR. SAXBY: Yeah.

6 MR. PATTON: You're in Capital  
7 Outlay.

8 MR. SAXBY: Um-hum.

9 MR. PATTON: That is a subdivision  
10 of Caltrans.

11 MR. SAXBY: Yes.

12 MR. PATTON: Responsible for  
13 capital --

14 MR. SAXBY: Yes.

15 MR. PATTON: -- improvements,  
16 expenditures. You are working for this guy  
17 Russ --

18 MR. SAXBY: Yes.

19 MR. PATTON: -- as a budget analyst.

20 MR. SAXBY: Yes.

21 MR. PATTON: And tell me your  
22 progression then over that ten years and what  
23 the basic chain of command that you're  
24 reporting to is.

25 MR. SAXBY: I had a boss who was

1 an -- who was the administrator there that  
2 reported directly to Russ, but we kind of  
3 worked as a team since we'd all worked  
4 together. My --

5 MR. PATTON: So you were working for  
6 a budget administrator?

7 MR. SAXBY: General administrator.

8 MR. PATTON: General administrator.

9 MR. SAXBY: He did everything.

10 MR. PATTON: What was his name?

11 MR. SAXBY: It was a her.

12 MR. PATTON: Her.

13 MR. SAXBY: Eileen Gellison (ph.).

14 MR. PATTON: And Eileen reports to  
15 Russ --

16 MR. SAXBY: Right.

17 MR. PATTON: What's his last name?

18 MR. SAXBY: Licap.

19 MR. PATTON: Licap. And Russ's  
20 position is?

21 MR. SAXBY: He's the Deputy for  
22 Capital Outlay Support.

23 MR. PATTON: Okay. So you're two  
24 people down from the Deputy for Capital Outlay  
25 Support.

1 MR. SAXBY: Right.

2 MR. PATTON: Reporting to Eileen.

3 MR. SAXBY: Yes.

4 MR. PATTON: And I'm curious when  
5 you first met Manny because I know that  
6 Manny -- Manuel Lopez worked for you at  
7 Caltrans at some point.

8 MR. SAXBY: Yes.

9 MR. PATTON: Under you.

10 MR. SAXBY: Yes.

11 MR. PATTON: When did he arrive on  
12 the scene?

13 MR. SAXBY: It's a lot longer story,  
14 but anyway, I left, came back --

15 MR. PATTON: Between 1987 and '97  
16 you left and came back?

17 MR. SAXBY: No. In '97 --

18 MR. PATTON: You left.

19 MR. SAXBY: Yes, I -- let's see.  
20 Not in -- let's see. '97 -- no, '97 I went to  
21 work -- I got -- someone in administration --  
22 let's see. It must have been a year before  
23 that. So I worked there until '95. I didn't  
24 work there until '96. I worked in Capital  
25 Outlay Support in '95. A gal that used to

1 work for me was now the admin manager in the  
2 maintenance program, the second biggest  
3 program in Caltrans. And she needed a budget  
4 analyst, and no one would work for her. So  
5 she called me and asked if I would come and be  
6 her budget analyst, and I was done with all --  
7 done with the modeling, done, and I was now  
8 repeating like doing the same thing over  
9 again, and I thought, yeah, I could use  
10 another challenge. So I went to maintenance.  
11 So I was there a year.

12 And then a friend of mine became the  
13 admin deputy for the whole department, and he  
14 needed a budget analyst, and he hired me away  
15 from maintenance, so I was there until '97.  
16 In '97, they needed someone to go up to  
17 Redding and be the admin deputy for the  
18 district up there, and the personnel manager  
19 proposed that I go up there and do that. So I  
20 went up there for a promotion, and I was there  
21 a year.

22 MR. PATTON: All right. I feel  
23 better; we're back into one-year tours.

24 MR. SAXBY: That's '90 -- yeah, '98.  
25 And so then from there I got hired to

1 Integrated Waste to be the head of Accounting  
2 and Budgets in the admin program at Integrated  
3 Waste, and I was there two years, and then in  
4 2000 --

5 MR. PATTON: What was your title?  
6 You said you were the head of Accounting --

7 MR. SAXBY: Yeah.

8 MR. PATTON: -- and Budgets.

9 MR. SAXBY: I was the Chief  
10 Financial Officer.

11 MR. PATTON: Okay. At Integrated  
12 Waste Management Board.

13 MR. SAXBY: At Integrate -- yes.

14 MR. PATTON: Okay.

15 MR. SAXBY: Then --

16 MR. PATTON: Two years?

17 MR. SAXBY: Two years. And then I  
18 got hired back to Caltrans.

19 MR. PATTON: What year?

20 MR. SAXBY: In '99 --

21 MR. PATTON: Okay.

22 MR. SAXBY: -- end of '99, like I  
23 think it was December of '99 actually --

24 MR. PATTON: Okay.

25 MR. SAXBY: -- the maintenance

1 program in -- at Caltrans. And then I was  
2 promoted in January back into the budget shop  
3 as the manager for Capital Outlay Support for  
4 the big budget.

5 MR. PATTON: Okay.

6 MR. SAXBY: And that's when I'd --

7 MR. PATTON: So you were --

8 MR. SAXBY: -- inherited Manuel.

9 MR. PATTON: And that was what year?

10 MR. SAXBY: That was in 2000.

11 MR. PATTON: 2000, you promoted into  
12 the budget shop.

13 MR. SAXBY: Budget shop, yes.

14 MR. PATTON: And when you use that  
15 term, I'm understanding that to mean the admin  
16 services budget operation for the entire  
17 department.

18 MR. SAXBY: For the entire  
19 department, yes.

20 MR. PATTON: Budget shop is a global  
21 term.

22 MR. SAXBY: Yes.

23 MR. PATTON: To work in the  
24 Capital -- to be the manager of the Capital  
25 Support Outlay --

1 MR. SAXBY: And Capital.  
2 MR. PATTON: And Capital --  
3 MR. SAXBY: Budget.  
4 MR. PATTON: -- budget within the  
5 budget shop.  
6 MR. SAXBY: Yes.  
7 MR. PATTON: You're not assigned  
8 just to Capital Support Outlay?  
9 MR. SAXBY: No.  
10 MR. PATTON: That just happens to be  
11 your -- what you're working on.  
12 MR. SAXBY: Right.  
13 MR. PATTON: Okay. 2000, you said.  
14 MR. SAXBY: Yes.  
15 MR. PATTON: And then you said when  
16 you inherited Manuel?  
17 MR. SAXBY: Yes.  
18 MR. PATTON: What was -- how did you  
19 inherit him?  
20 MR. SAXBY: He was one of the  
21 supervisors there.  
22 MR. PATTON: Okay. In the budget  
23 shop.  
24 MR. SAXBY: In the budget shop --  
25 MR. PATTON: Working --

1 MR. SAXBY: -- in the Capital  
2 program.

3 MR. PATTON: Okay. And so then you  
4 and Manuel worked together at Caltrans for how  
5 long?

6 MR. SAXBY: Until 2005.

7 MR. PATTON: So did you say in that  
8 position for four years?

9 MR. SAXBY: Yeah.

10 MR. PATTON: Okay. To 2005. When  
11 what happened next?

12 MR. SAXBY: I retired.

13 MR. PATTON: And at that point, you  
14 had '70 to 2005 is thirty-five years minus  
15 about seven that you were out of the agency.

16 MR. SAXBY: That ended up being  
17 thirty.

18 MR. PATTON: It was thirty-five. My  
19 math was --

20 MR. SAXBY: Well, I mean --

21 MR. PATTON: You had thirty year --

22 MR. SAXBY: -- but I got credit,  
23 thirty years in.

24 MR. PATTON: -- you had thirty  
25 years' credit as of '05.

1 MR. SAXBY: Yeah.

2 MR. PATTON: Okay. You retired.

3 When did you come back to work at all for the

4 State?

5 MR. SAXBY: Every year I came back

6 as an RA.

7 MR. PATTON: Where?

8 MR. SAXBY: Caltrans.

9 MR. PATTON: In '06?

10 MR. SAXBY: In '06, '07, '08, '09.

11 MR. PATTON: Did you do your full --

12 what's the maximum --

13 MR. SAXBY: No, because I had --

14 MR. PATTON: Well, I didn't finish

15 the question. What's the maximum hours you

16 can work a year as an R -- retired annuitant?

17 MR. SAXBY: 960.

18 MR. PATTON: Okay. In '06, '7, and

19 '8 and '9, you said, four years --

20 MR. SAXBY: Yes.

21 MR. PATTON: -- you worked as a

22 retired annuitant at Caltrans?

23 MR. SAXBY: Yes.

24 MR. PATTON: Putting in the full

25 960?

1 MR. SAXBY: No.

2 MR. PATTON: Run me through it.

3 MR. SAXBY: I retired early, and I  
4 waited a year, and I took Social Security at  
5 62. So Social Security has a cap that you can  
6 make which is 13,000 dollars. So that was my  
7 control.

8 MR. PATTON: So you wouldn't make  
9 more than 13,000 dollars?

10 MR. SAXBY: Right.

11 MR. PATTON: However many hours that  
12 was?

13 MR. SAXBY: Yeah.

14 MR. PATTON: So --

15 MR. SAXBY: It depend --

16 MR. PATTON: Go ahead.

17 MR. SAXBY: It depended on the job  
18 that I had, the classification that I had and  
19 the project that I was working on. I  
20 basically -- people called me, and I had like  
21 maybe four job offers. They all knew that I  
22 would be looking to come back after the first  
23 of year, and so there would be four or five  
24 people call me and say, we have a job for you,  
25 and I'd pick the one that looked like the most

1 fun and that I could get done in that amount  
2 of time.

3 MR. PATTON: So you did retired  
4 annuitant work in '06, '7, and '8 --

5 MR. SAXBY: And '9.

6 MR. PATTON: -- and '9 for Caltrans.

7 MR. SAXBY: Yes.

8 MR. PATTON: And did you work again  
9 as a retired annuitant with Mr. Lopez?

10 MR. SAXBY: Yes, in '10, 2010.

11 MR. PATTON: At Caltrans?

12 MR. SAXBY: No, here -- no, no.

13 MR. PATTON: Okay. We're going to  
14 get to the move here in a minute.

15 MR. SAXBY: Okay.

16 MR. PATTON: Don't jump ahead of me.

17 MR. SAXBY: Sorry.

18 MR. PATTON: That's all right. When  
19 you went -- you said you worked '06, '7, '8,  
20 and '9 each year at Caltrans as a retired  
21 annuitant.

22 MR. SAXBY: Yes.

23 MR. PATTON: When you went back and  
24 worked these periodic periods as a retired  
25 annuitant at Caltrans, were you working with

1 Mr. Lopez again?

2 MR. SAXBY: No.

3 MR. PATTON: No. What were -- what  
4 did you do at Caltrans during those retired  
5 annuitant years?

6 MR. SAXBY: Let's see. First year,  
7 I was hired by Traffic Operations. They had a  
8 crisis in their budget shop. They had a bad  
9 manager. They had just taken that manager  
10 out. They needed someone to come in and help  
11 build their budget shop. So I came in, went  
12 through interviews, got a manager in there,  
13 helped the manager do interviews, got some  
14 budget staff in there.

15 MR. PATTON: What did you do the  
16 next year? That's '06?

17 MR. SAXBY: Yeah, '06.

18 MR. PATTON: What did you do in '07?

19 MR. SAXBY: '07, what did I do in  
20 '07?

21 MR. PATTON: You went back as a  
22 retired annuitant --

23 MR. SAXBY: Yeah.

24 MR. PATTON: -- to Caltrans.

25 MR. SAXBY: Yes.

1 MR. PATTON: It doesn't -- I'm not  
2 really that concerned with what you did.

3 MR. SAXBY: Yeah. I think I -- I  
4 think that time I worked for Traffic  
5 Operations again in their management team  
6 helping them build -- to train the managers on  
7 adverse action, all of the kinds of  
8 administrative stuff.

9 MR. PATTON: Okay. So -- but you're  
10 at Caltrans. '07 and '8, you come back to  
11 Caltrans again --

12 MR. SAXBY: Yes.

13 MR. PATTON: -- as a retired  
14 annuitant?

15 MR. SAXBY: I ended -- I was in the  
16 budget shop for those next two years --

17 MR. PATTON: Okay.

18 MR. SAXBY: -- doing just little  
19 special projects. One was -- one -- there was  
20 the lawsuit, and so the budget shop --

21 MR. PATTON: The lawsuit?

22 MR. SAXBY: The lawsuit against  
23 Manuel.

24 MR. PATTON: There was a lawsuit at  
25 Caltrans against Manuel?

1 MR. SAXBY: Yeah.

2 MR. PATTON: And -- okay, go ahead.

3 Tell me --

4 MR. SAXBY: And so the lawyers  
5 wanted me to be on the team, so the budget  
6 shop hired me to come and help them and at the  
7 same time help the attorneys.

8 MR. PATTON: Lawyers for the State  
9 wanted you --

10 MR. SAXBY: Yeah.

11 MR. PATTON: -- on the team?

12 MR. SAXBY: Yeah.

13 MR. PATTON: What team?

14 MR. SAXBY: Their team that's doing  
15 depositions and working on the lawsuit.

16 MR. PATTON: Why did they need you  
17 to be on a -- what sounds like a legal defense  
18 team?

19 MR. SAXBY: I was the manager and  
20 Lopez worked for me at the time that the  
21 lawsuit was filed.

22 MR. PATTON: Okay. So the lawsuit  
23 has something to do with his work -- his  
24 performance at work?

25 MR. SAXBY: Yeah, right.

1 MR. PATTON: And so you had been the  
2 manager at the time --

3 MR. SAXBY: Right.

4 MR. PATTON: -- and the legal -- the  
5 attorneys need your assistance to do what?

6 MR. SAXBY: They wanted to -- they  
7 wanted to understand what he was going on.

8 MR. PATTON: Okay.

9 MR. SAXBY: What happened, what did  
10 I think, what were the results, who was this  
11 person, what was their story, the history.

12 MR. PATTON: Okay. So you're a  
13 source of information --

14 MR. SAXBY: Yeah.

15 MR. PATTON: -- for the legal  
16 defense team.

17 MR. SAXBY: Right.

18 MR. PATTON: Okay.

19 MR. SAXBY: They were feeling the  
20 deputy for administration at the time, she did  
21 not want to settle --

22 MR. PATTON: Okay. And I don't  
23 really want to get into it.

24 MR. SAXBY: -- all that, but  
25 anyway -- so she knew that I knew all the

1 things that needed to be known, so she put me  
2 on, and once I was on --

3 MR. PATTON: Put you on -- put you  
4 on --

5 MR. SAXBY: Put me in with that  
6 group on the team. And once we talked  
7 everything through, then they had a different  
8 course of action, and they did depositions of  
9 people --

10 MR. PATTON: Okay.

11 MR. SAXBY: -- who got different  
12 directions so --

13 MR. PATTON: I'm taking away --

14 MR. SAXBY: Yep.

15 MR. PATTON: Slow down. When I  
16 start to talk, let me finish the sentence.  
17 I'm taking away from this that there was some  
18 sort of consultation group created within  
19 Caltrans to work with the defense, the legal  
20 defense people.

21 MR. SAXBY: Yes.

22 MR. PATTON: And you were part of  
23 that. Okay. As -- during your time as a  
24 retired annuitant?

25 MR. SAXBY: Yes.

1 MR. PATTON: And this is in what?  
2 '07-'08?

3 MR. SAXBY: This was in '08-'09.

4 MR. PATTON: '08 --

5 MR. SAXBY: '08 and '09.

6 MR. PATTON: So in '09 you're at  
7 Caltrans as a retired annuitant?

8 MR. SAXBY: Yes.

9 MR. PATTON: And your primary work  
10 there is trying to be part of this consulting  
11 group dealing with the litigation?

12 MR. SAXBY: That was one part of it.  
13 The rest I was helping the new -- they had a  
14 new boss, and I was helping her --

15 MR. PATTON: "They" who?

16 MR. SAXBY: Budget shop got a new  
17 division chief, and I was helping her train  
18 some of her managers.

19 MR. PATTON: Now, I read in your  
20 prior interview transcript back in February  
21 with Ms. Murphy that you came here to Parks as  
22 a retired annuitant in March of 2009.

23 MR. SAXBY: '10.

24 MR. PATTON: So not 2009 then?

25 MR. SAXBY: No.

1 MR. PATTON: It was 2010?

2 MR. SAXBY: Yeah, it's '10.

3 MR. PATTON: Okay. So in 2000 -- in  
4 2009, you were a retired annuitant at  
5 Caltrans, didn't work for Parks in 2009. You  
6 came here as a retired annuitant in 2010. And  
7 who were you working for here?

8 MR. SAXBY: I was here -- that was  
9 in March. I worked for Cheryl Taylor.

10 MR. PATTON: She was -- what was her  
11 position?

12 MR. SAXBY: She's the budget  
13 manager.

14 MR. PATTON: Okay. When did Manuel  
15 Lopez come here?

16 MR. SAXBY: 2005.

17 MR. PATTON: So he was already here.

18 MR. SAXBY: Yes.

19 MR. PATTON: So when you were doing  
20 this work as a retired annuitant and helping  
21 consult with a legal defense team dealing with  
22 a case that involved Mr. Lopez, he had already  
23 moved out of Caltrans?

24 MR. SAXBY: Yes.

25 MR. PATTON: And it sounds to me

1 like in 2005?

2 MR. SAXBY: Um-hum.

3 MR. PATTON: That's a yes?

4 MR. SAXBY: Yes.

5 MR. PATTON: And he came here?

6 MR. SAXBY: Yes.

7 MR. PATTON: So you come here in  
8 2010 as a retired annuitant, and you're  
9 working in the budget operation under Cheryl  
10 Taylor who is the budget manager here at  
11 Parks.

12 MR. SAXBY: Yes.

13 MR. PATTON: And what was Manny  
14 Lopez's position then?

15 MR. SAXBY: He was Deputy Director  
16 for Admin.

17 MR. PATTON: Had he -- when -- do  
18 you know when he left Caltrans in '05 and came  
19 to Parks what his position was here at Parks  
20 when he started?

21 MR. SAXBY: Yes.

22 MR. PATTON: What?

23 MR. SAXBY: He was budget manager.

24 MR. PATTON: Oh, the position Cheryl  
25 Taylor then ended up taking?

1 MR. SAXBY: Correct.

2 MR. PATTON: So he came in here as  
3 budget manager, and then he went -- do you  
4 know what year he was promoted then to -- did  
5 he go from that to Admin Services Director?

6 MR. SAXBY: Yes, yes. I don't know  
7 what -- I'm thinking -- let's see. That would  
8 have been '5 -- I'm thinking maybe '8 -- 2008.

9 MR. PATTON: Okay.

10 MR. SAXBY: I'm not -- or '9, right  
11 in there.

12 MR. PATTON: I'm just curious. You  
13 may not know anything about it, but -- and I  
14 don't know what the litigation was about,  
15 don't really want to, but you did tell me that  
16 there was litigation at Caltrans that involved  
17 Manuel Lopez.

18 MR. SAXBY: Yes.

19 MR. PATTON: And it was apparently  
20 complex enough that some group of consulting  
21 people within Caltrans is formed to help the  
22 attorneys with the strategy and deposition  
23 schedules.

24 MR. SAXBY: It wasn't a big -- it  
25 wasn't -- there were two attorneys and me. So

1 it wasn't a big group.

2 MR. PATTON: Okay. Who hired Mr.  
3 Lopez to come over here? Do you know?

4 MR. SAXBY: Yes, a person named Rob  
5 Borskin (ph.) who --

6 MR. PATTON: Okay. Did he know --

7 MR. SAXBY: -- who --

8 MR. PATTON: Go ahead.

9 MR. SAXBY: Yes. He came from  
10 Caltrans. Rob Borskin came here from  
11 Caltrans.

12 MR. PATTON: Did he know Mr.  
13 Lopez --

14 MR. SAXBY: He knew --

15 MR. PATTON: -- from Caltrans?

16 MR. SAXBY: Yes, he did.

17 MR. PATTON: Let me finish my  
18 question, please.

19 MR. SAXBY: Yeah, sorry.

20 MR. PATTON: I'm going to repeat it.

21 MR. SAXBY: Yep.

22 MR. PATTON: Did Rob Borskin know  
23 Mr. Lopez from Caltrans?

24 MR. SAXBY: Yes.

25 MR. PATTON: Okay. So Rob was

1 responsible then for -- and Rob was the Admin  
2 Services Director?

3 MR. SAXBY: He was the Assistant  
4 Deputy.

5 MR. PATTON: Admin Services  
6 Director.

7 MR. SAXBY: Admin Services.

8 MR. PATTON: Okay. So he brought --  
9 he hired Manny to come over here as the Budget  
10 Director?

11 MR. SAXBY: Budget manager, yeah.

12 MR. PATTON: Budget manager --

13 MR. SAXBY: Yes.

14 MR. PATTON: -- at Parks. You're  
15 still at Caltrans?

16 MR. SAXBY: Yes.

17 MR. PATTON: Did -- was Rob Borskin,  
18 was he aware that there was this litigation  
19 going on at Caltrans?

20 MR. SAXBY: No, at that time.

21 MR. PATTON: So when he hired Manuel  
22 Lopez to come over here and be Budget Officer?

23 MR. SAXBY: Manager.

24 MR. PATTON: Manager.

25 MR. SAXBY: Yes.

1 MR. PATTON: -- he didn't know that  
2 there was litigation involving Mr. Lopez?

3 MR. SAXBY: There wasn't at that  
4 time.

5 MR. PATTON: Oh, there was not at  
6 that time?

7 MR. SAXBY: No.

8 MR. PATTON: In 2005.

9 MR. SAXBY: Right, at that time.

10 MR. PATTON: Oh, so litigation at  
11 Caltrans came after Mr. Lopez had already left  
12 Caltrans.

13 MR. SAXBY: Yes.

14 MR. PATTON: Oh, okay. And then in,  
15 you think it was 2008, Manuel was then  
16 promoted to the position above Mr. Borskin --

17 MR. SAXBY: Yes.

18 MR. PATTON: -- Admin Services  
19 Director here at Parks.

20 MR. SAXBY: Yes.

21 MR. PATTON: And who made that  
22 decision?

23 MR. SAXBY: Ruth Coleman.

24 MR. PATTON: Ruth Coleman made the  
25 decision?

1 MR. SAXBY: Yes.

2 MR. PATTON: Did Michael Harris have  
3 anything to do with it?

4 MR. SAXBY: He was her assistant up  
5 there, so I'm assuming --

6 MR. PATTON: Okay.

7 MR. SAXBY: -- it was -- I don't  
8 know. I just --

9 MR. PATTON: You don't know how  
10 the --

11 MR. SAXBY: I don't know the --

12 MR. PATTON: You don't know how the  
13 decision was made.

14 MR. SAXBY: Know nothing about the  
15 process.

16 MR. PATTON: All right. You just  
17 know those are the people at the top.

18 MR. SAXBY: Yeah.

19 MR. PATTON: And at the time he was  
20 promoted in 2008, Mr. Lopez, at this point Mr.  
21 Borskin knows about the litigation --

22 MR. SAXBY: No.

23 MR. PATTON: -- at Caltrans? They  
24 don't know?

25 MR. SAXBY: No.

1 MR. PATTON: So as far as you know,  
2 you don't know whether anybody here at Parks  
3 knew about that litigation?

4 MR. SAXBY: I would think no one  
5 knew.

6 MR. PATTON: Okay.

7 MR. SAXBY: It was internal still.

8 MR. PATTON: Okay. And then you  
9 come into Parks two years later?

10 MR. SAXBY: Yes.

11 MR. PATTON: In 2010. Okay. Thank  
12 you for the historical background.

13 You are aware that for some period  
14 of time now there have been some funds --  
15 we're going to talk about two different  
16 accounts. We're going to talk about the State  
17 Parks and Recreation Fund, and then we're  
18 going to talk about the Off Highway Vehicle  
19 Fund. Are you aware that for some period of  
20 time not all monies that are in that -- we're  
21 going to call it the SPRF.

22 MR. SAXBY: Yes.

23 MR. PATTON: That's what you refer  
24 to it as?

25 MR. SAXBY: Yes.

1           MR. PATTON:    State Parks and Rec  
2 Fund?   Fund 0392?

3           MR. SAXBY:    That's it.

4           MR. PATTON:    You're aware that for  
5 some period of time some monies in some  
6 millions of dollars in that fund were not  
7 being reported to the Department of Finance?

8           MR. SAXBY:    Yes.

9           MR. PATTON:    Do you know how much?

10          MR. SAXBY:    It varied every year.

11          MR. PATTON:    Do you know -- do you  
12 have any idea how --

13          MR. SAXBY:    It was, I'm thinking, at  
14 least twenty maybe thirty mil.

15          MR. PATTON:    Twenty to thirty  
16 million.  For, do you know, over what kind of  
17 time period?  How many years?

18          MR. SAXBY:    A long time.

19          MR. PATTON:    What's that?

20          MR. SAXBY:    I think 2000 is what I  
21 heard.

22          MR. PATTON:    Okay.

23          MR. SAXBY:    I discovered it in  
24 2004 --

25          MR. PATTON:    You discovered --

1 MR. SAXBY: -- or in 2010 when I  
2 came in.

3 MR. PATTON: You discovered it when  
4 you came in?

5 MR. SAXBY: Yeah.

6 MR. PATTON: How did you discover  
7 it?

8 MR. SAXBY: I was hired to help  
9 Cheryl tie out the budget and build the  
10 modeler for projecting funds, and as a part of  
11 that process, she brought me the fund  
12 condition and said, this doesn't match the  
13 Controller's report.

14 MR. PATTON: So as soon as you got  
15 here and started working with Cheryl --

16 MR. SAXBY: Yeah.

17 MR. PATTON: -- she told you about  
18 this discrepancy?

19 MR. SAXBY: Yes.

20 MR. PATTON: And the fund condition  
21 you referred to as the fund condition  
22 statement that is the report that goes to the  
23 Department of Finance?

24 MR. SAXBY: Yes.

25 MR. PATTON: Which is what is used

1 to build the Parks Department budget? Or it's  
2 the budget report --

3 MR. SAXBY: Yes.

4 MR. PATTON: -- to Finance.

5 MR. SAXBY: Yes.

6 MR. PATTON: Okay. Do you want to  
7 straighten me out on any of this terminology?

8 MR. SAXBY: I guess, to me, the fund  
9 condition is the sheet of paper that you give  
10 to Finance that ends up going into the  
11 governor's budget that says how much the funds  
12 are.

13 MR. PATTON: Okay. And I've heard  
14 this referred to as the fund condition  
15 statement.

16 MR. SAXBY: Yes.

17 MR. PATTON: Okay. And the other  
18 report that I've heard of is an annual report  
19 that goes to the Controller that then --

20 MR. SAXBY: Yes.

21 MR. PATTON: Go ahead. Say it.  
22 Just say yes.

23 MR. SAXBY: Yes.

24 MR. PATTON: Just wait. And I've  
25 heard that report described as the fund

1 balance as opposed to fund condition.

2 MR. SAXBY: Yes.

3 MR. PATTON: That sound correct?

4 MR. SAXBY: That is correct.

5 MR. PATTON: And apparently, there's  
6 been a discrepancy between these two reports.

7 MR. SAXBY: Yes.

8 MR. PATTON: To the tune of twenty  
9 to thirty million dollars.

10 MR. SAXBY: Yes.

11 MR. PATTON: Since at least 2000.

12 MR. SAXBY: Yes.

13 MR. PATTON: Brought to your  
14 attention by they recall Taylor in 2010.

15 MR. SAXBY: Yes.

16 MR. PATTON: You started here in  
17 March 2010?

18 MR. SAXBY: Yes.

19 MR. PATTON: When did she bring this  
20 to your attention?

21 MR. SAXBY: I think probably end of  
22 April.

23 MR. PATTON: So what did you do or  
24 what happened from there?

25 MR. SAXBY: I came down to Manuel

1 and said, what are we doing?

2 MR. PATTON: Let me back up before  
3 we talk about what you said and what he said.  
4 When Cheryl told you this, twenty million  
5 dollars in the SPRF fund not being reported  
6 for at least ten years to Finance --

7 MR. SAXBY: Uh --

8 MR. PATTON: Go ahead.

9 MR. SAXBY: Excuse me. She didn't  
10 know how long.

11 MR. PATTON: You --

12 MR. SAXBY: She had just discovered  
13 that.

14 MR. PATTON: You have  
15 subsequently --

16 MR. SAXBY: Yeah.

17 MR. PATTON: -- learned or heard --

18 MR. SAXBY: Yes.

19 MR. PATTON: -- that it dates --

20 MR. SAXBY: Yes.

21 MR. PATTON: -- back to --

22 MR. SAXBY: Yeah.

23 MR. PATTON: -- 2000.

24 MR. SAXBY: Yes, and Manuel told  
25 me --

1 MR. PATTON: Okay.

2 MR. SAXBY: -- when I brought it to  
3 him, but Cheryl did in the know --

4 MR. PATTON: Got it.

5 MR. SAXBY: -- its history.

6 MR. PATTON: Got it.

7 MR. SAXBY: She just knew  
8 something's wrong here.

9 MR. PATTON: You subsequently  
10 learned some more.

11 MR. SAXBY: Yes.

12 MR. PATTON: When you first heard  
13 about this in April of 2010, what did you  
14 think? Is that a big thing? Was it --

15 MR. SAXBY: It's not a big thing.

16 MR. PATTON: Okay. Why not?

17 MR. SAXBY: It's a fund condition  
18 statement.

19 MR. PATTON: Yeah.

20 MR. SAXBY: Caltrans's fund  
21 condition is a statement that I've done for  
22 five years, is all over the place. No one  
23 really knows what that number is because of  
24 Finance changing direction, going from  
25 modified accrual to cash to all kinds of

1 things. And in the end, like at Caltrans, the  
2 idea was make it positive. That was the  
3 direction from Finance.

4 MR. PATTON: In what sense?

5 MR. SAXBY: I said what the  
6 numbers -- as a budget manager for Capital, I  
7 decided what the numbers would be from an  
8 estimate of what I could figure out if I was  
9 doing cash versus accrual. The accounting  
10 system does accrual, so if you don't use that  
11 number --

12 MR. PATTON: The fund condition  
13 statement that goes to Finance is based on an  
14 accrual system of accounting.

15 MR. SAXBY: Accounting, yes.

16 MR. PATTON: Now, my understanding  
17 is that the report -- the fund balance  
18 statement that goes to Controllers is based on  
19 a cash basis.

20 MR. SAXBY: Yes.

21 MR. PATTON: Represents monies in  
22 the bank and accounts payable and receivable,  
23 essentially.

24 MR. SAXBY: It's a checkbook.

25 MR. PATTON: It's like my checkbook.

1 MR. SAXBY: It's a checkbook.  
2 MR. PATTON: Fairly simple.  
3 MR. SAXBY: Yep. The number.  
4 MR. PATTON: And it is the number.  
5 MR. SAXBY: Yeah.  
6 MR. PATTON: It's a reliable number.  
7 MR. SAXBY: It's required, I mean.  
8 MR. PATTON: And to your knowledge,  
9 has the fund condition statement that's been  
10 going to Controller, has that been accurate  
11 over the years?  
12 MR. SAXBY: As far as I know it has.  
13 MR. PATTON: Checkbook ledger's been  
14 balanced.  
15 MR. SAXBY: I'm thinking that's the  
16 number.  
17 MR. PATTON: You don't know of no --  
18 MR. SAXBY: I don't know.  
19 MR. PATTON: -- no incorrect  
20 reporting in that?  
21 MR. SAXBY: No. I would think  
22 Accounting -- Accounting is pretty simple in  
23 that they run their reports which -- and so  
24 you're going to get the B06 which is the  
25 year-end report. When you close the books --

1 MR. PATTON: Okay.

2 MR. SAXBY: -- that's the dollar  
3 amount.

4 MR. PATTON: Because the  
5 Controller's got the ability to see what's in  
6 the account aside from what the department  
7 puts in his fund condition statement.

8 MR. SAXBY: Yes.

9 MR. PATTON: Be hard to lie to the  
10 Controller's office, right?

11 MR. SAXBY: Yeah.

12 MR. PATTON: Yeah.

13 MR. SAXBY: They would ask you what  
14 are you doing.

15 MR. PATTON: Yeah. Why is your  
16 number different than what --

17 MR. SAXBY: Than our number.

18 MR. PATTON: Okay. So we got two  
19 tracks basically. The Controller is keeping a  
20 ledger as well, so is the department.

21 MR. SAXBY: Yes.

22 MR. PATTON: Okay. So they can see  
23 it any time whether or not the number is being  
24 reported or divergent.

25 MR. SAXBY: And I would say

1 Accounting is more of a direct interface to  
2 the Controller.

3 MR. PATTON: Yeah.

4 MR. SAXBY: They're talking all the  
5 time. They're fixing all the little things --

6 MR. PATTON: Okay.

7 MR. SAXBY: -- on each side of the  
8 ledger every month doing reconciliation. So  
9 it's more accounting in each of the  
10 departments is just -- is directly from the  
11 Controller.

12 MR. PATTON: Now, when Ms. Taylor  
13 came to you in April, she informed you that  
14 there was some twenty million or more  
15 unreported to Finance as part of the fund  
16 condition statement.

17 MR. SAXBY: Correct.

18 MR. PATTON: And I asked you what  
19 you thought about that, if that was a big  
20 thing, and you indicated not really, and you  
21 sort of gave me an answer that suggested --

22 MR. SAXBY: Yes.

23 MR. PATTON: Let me finish. You  
24 sort of gave me an answer that suggested that,  
25 depending on what numbers you elected to pick

1 in, the number in the fund condition statement  
2 could be pretty much anything. That was sort  
3 of the impression I got. I may have misstated  
4 it, and you'll get a second -- you'll get all  
5 kinds of opportunity to correct me.

6 I guess where I get confused is  
7 that, from what you've said about Cheryl  
8 Taylor's report and what I've heard from other  
9 sources, it was very well understood that  
10 twenty million dollars or more was not being  
11 reported. Does that sound right, that twenty  
12 million dollars was clearly not being  
13 reported?

14 MR. SAXBY: Yes.

15 MR. PATTON: Okay. So why is that  
16 not a big thing?

17 MR. SAXBY: Well, when she first  
18 told me, I don't know, like, how she got to  
19 that number, is that a historically accurate  
20 number. She's going through some process.  
21 And I had a certain level of concern about all  
22 of the numbers coming out of the budget shop.  
23 They couldn't tell me how much we'd spent, how  
24 much we were going to spend. There was a lot  
25 of -- that's why Manuel called me to come in

1 and help, because he couldn't get numbers out  
2 of the budget shop. So my first thing was,  
3 okay --

4 MR. PATTON: Couldn't get reliable  
5 numbers.

6 MR. SAXBY: Reliable numbers, yes.  
7 And so my first thought was, well, I'll go  
8 talk to Manuel and see what's this about.

9 MR. PATTON: Okay. So tell me about  
10 that.

11 MR. SAXBY: So I came and talked to  
12 Manuel, and I said, this says there's twenty  
13 million in the SPRF cash balance and we're  
14 only showing ten.

15 MR. PATTON: Twenty and ten?

16 MR. SAXBY: I think it was thirty,  
17 and then we were showing ten.

18 MR. PATTON: Okay. Thirty and ten.

19 MR. SAXBY: And we had to have  
20 something in there because you -- if you don't  
21 have a positive, you don't get BCPs. It's the  
22 BCP pool.

23 MR. PATTON: Can't spend money you  
24 don't have.

25 MR. SAXBY: Right.

1 MR. PATTON: So this says you went  
2 to Manuel shortly after Cheryl had come to you  
3 with this?

4 MR. SAXBY: Yes, yeah.

5 MR. PATTON: Okay.

6 MR. SAXBY: And I asked him about  
7 it, and he said --

8 MR. PATTON: This is about April of  
9 2010?

10 MR. SAXBY: Yeah.

11 MR. PATTON: Okay.

12 MR. SAXBY: He said, it's been that  
13 way since I was here; it was that way  
14 before -- he said, I think it happened back in  
15 2000 before I even got here; some mistake was  
16 made, and no one has ever corrected it. And I  
17 said, okay.

18 MR. PATTON: Did you ask why?

19 MR. SAXBY: I didn't ask why at  
20 first. I said, so what do we do now. I said,  
21 do I bury that with a change in the prior --  
22 because it's a formula; it's a very simple  
23 formula. It's plus minus equals. So -- but  
24 it's a three-year report. Fund condition is a  
25 three year, so it's last year, budget year,

1 next year.

2 MR. PATTON: Last year, current  
3 year --

4 MR. SAXBY: Yeah.

5 MR. PATTON: -- current budget  
6 year --

7 MR. SAXBY: Current budget year.

8 MR. PATTON: -- next year, upcoming  
9 year.

10 MR. SAXBY: Yeah. And so there are  
11 adjustment lines that you put in there based  
12 on accounting reports and information that you  
13 have.

14 MR. PATTON: So what I've heard of  
15 as prior year adjustments?

16 MR. SAXBY: Yes.

17 MR. PATTON: Okay. So you asked him  
18 what are we --

19 MR. SAXBY: I said --

20 MR. PATTON: -- going to do about  
21 it?

22 MR. SAXBY: I said, how have you  
23 buried it before, is what I said. And he  
24 said, we just changed the prior year. And I  
25 said, well, shouldn't we, like, have a

1 strategy to move towards the real number and,  
2 like, adjust a little bit this year and next  
3 year so that we're -- in the third year we're  
4 okay? And he said, no. And I said, why not?  
5 He said, management is afraid if we show that  
6 there's more money that the legislature will  
7 take that and reduce our general fund.

8 MR. PATTON: Management, who --

9 MR. SAXBY: Yeah, upper management.

10 MR. PATTON: Who would that -- who's  
11 upper management?

12 MR. SAXBY: That would have been the  
13 people on the fourteenth floor. Okay. So  
14 that would be Ruth, Michael, the team, I'm  
15 assuming.

16 MR. PATTON: The team.

17 MR. SAXBY: Yeah. I'm assuming  
18 it's --

19 MR. PATTON: There's a big --

20 MR. SAXBY: --the management team,  
21 yeah.

22 MR. PATTON: What is -- what else to  
23 that?

24 MR. SAXBY: There's Ruth, Michael,  
25 Bill --

1           MR. PATTON:   Okay.   Wait.   Slow  
2   down.  
3           MR. SAXBY:   -- Herms.  
4           MR. PATTON:   So Ruth is the  
5   Director.   Michael is the Assistant Director.  
6           MR. SAXBY:   Assistant.   Bill Herms.  
7           MR. PATTON:   Who's he?  
8           MR. SAXBY:   He was the ledge  
9   director.  
10          MR. PATTON:   He's a Deputy Director?  
11          MR. SAXBY:   Yeah, Deputy.  
12          MR. PATTON:   Like --  
13          MR. SAXBY:   These are all deputies.  
14          MR. PATTON:   But after Ruth and  
15   Michael.  
16          MR. SAXBY:   Yeah.  
17          MR. PATTON:   We're going to get to a  
18   Deputy Director level.   And Manuel Lopez is a  
19   Deputy Director.  
20          MR. SAXBY:   He's a deputy.   And Tony  
21   Perez and --  
22          MR. PATTON:   Tony Perez is a Deputy  
23   Director.  
24          MR. SAXBY:   Park Ops.  
25          MR. PATTON:   Okay.

1 MR. SAXBY: Sedrick.  
2 MR. PATTON: Sedrick who?  
3 MR. SAXBY: Mitchell.  
4 MR. PATTON: Is a Deputy Director?  
5 MR. SAXBY: Yeah.  
6 MR. PATTON: Of?  
7 MR. SAXBY: Human Rights and OGALS.  
8 MR. PATTON: Office of Grants and  
9 Local --  
10 MR. SAXBY: Yeah.  
11 MR. PATTON: -- Local --  
12 MR. SAXBY: Yeah.  
13 MR. PATTON: -- Services?  
14 MR. SAXBY: Yeah. Sedrick is over  
15 all of that.  
16 MR. PATTON: Okay.  
17 MR. SAXBY: And then who is --  
18 MR. PATTON: Okay.  
19 MR. SAXBY: -- the Deputy of  
20 Planning. So that's the exec team.  
21 MR. PATTON: Okay. Okay. So Manuel  
22 told you -- you asked -- let me go back and  
23 repeat a couple things. You indicated you  
24 asked him how have you been burying this.  
25 That's what you -- the word you used.

1 MR. SAXBY: Correct.

2 MR. PATTON: And how had it been  
3 buried?

4 MR. SAXBY: Changing the prior year  
5 adjustment.

6 MR. PATTON: Okay. So actually  
7 underreporting, downgrading what the prior  
8 year adjustment should have been from thirty  
9 to ten million, or whatever. It's a twenty  
10 million dollar --

11 MR. SAXBY: Yeah.

12 MR. PATTON: -- difference.

13 MR. SAXBY: Correct.

14 MR. PATTON: Okay. And so you  
15 suggest can't we start to, like, incrementally  
16 over, say, three years rectify this in  
17 increments --

18 MR. SAXBY: Yes.

19 MR. PATTON: -- and get to the right  
20 number.

21 MR. SAXBY: Yes.

22 MR. PATTON: And he says, no, not  
23 going to do that.

24 MR. SAXBY: Right.

25 MR. PATTON: He's had -- he

1 indicated to you -- tell me what he said  
2 again.

3 MR. SAXBY: We can't do that.

4 MR. PATTON: We can't do that  
5 because?

6 MR. SAXBY: If the legislature knows  
7 we have the money --

8 MR. PATTON: Yeah.

9 MR. SAXBY: -- they'll take that  
10 money, cut our general fund that amount.

11 MR. PATTON: Now, who did Manuel  
12 indicate to you that he had spoken to about  
13 this? You indicated --

14 MR. SAXBY: Michael.

15 MR. PATTON: Michael.

16 MR. SAXBY: Michael.

17 MR. PATTON: Michael Harris.

18 MR. SAXBY: Yes.

19 MR. PATTON: So he specifically  
20 identified I've talked to Michael Harris?

21 MR. SAXBY: Yes.

22 MR. PATTON: Manuel ever tell you he  
23 specifically talked to Ruth Coleman about  
24 this?

25 MR. SAXBY: He has told me --

1 MR. PATTON: He has told you that?

2 MR. SAXBY: He has told me that,  
3 yes.

4 MR. PATTON: When did he tell you  
5 that?

6 MR. SAXBY: Last month.

7 MR. PATTON: Okay. While you were  
8 working together, because Manuel left, I  
9 think, in May of this year.

10 MR. SAXBY: Yes.

11 MR. PATTON: And you're leaving  
12 tomorrow?

13 MR. SAXBY: Yes.

14 MR. PATTON: But the last you worked  
15 here was in May?

16 MR. SAXBY: Yes.

17 MR. PATTON: So from March of 2010,  
18 April of 2010 when you learned of this and  
19 then shortly thereafter you discussed it in  
20 2010, April or May, with Manuel, you just  
21 described to me you asked him about it, and at  
22 the time he said basically, I'm aware of it,  
23 it was like that when I got here, it was like  
24 that for many years before I got here. And he  
25 says -- and you asked, are we going to fix it,

1 what's the plan to fix it. And he says, we're  
2 not going to fix it. And he tells you, back  
3 in 2010, I've talked with management. Is  
4 everything I'm saying right so far?

5 MR. SAXBY: He didn't say to me he  
6 had -- he has talked to management. He said,  
7 I -- this is why --

8 MR. PATTON: Why we're not going to  
9 fix it.

10 MR. SAXBY: -- we're not going -- we  
11 haven't fixed it since 2000 and we're not  
12 fixing it now.

13 MR. PATTON: So in 2010, he doesn't  
14 say anything to you about who he might have  
15 discussed it with?

16 MR. SAXBY: That -- no. It's like  
17 it's an ongoing management -- upper management  
18 philosophy.

19 MR. PATTON: So he does indicate  
20 that upper management --

21 MR. SAXBY: Yeah.

22 MR. PATTON: -- has been part --

23 MR. SAXBY: Know --

24 MR. PATTON: -- is aware?

25 MR. SAXBY: Yes, yeah. Michael's

1 known. Michael had his job.

2 MR. PATTON: Wait, wait, wait. In  
3 2010, did Manuel indicate to you that Michael  
4 Harris was aware of it?

5 MR. SAXBY: Yes.

6 MR. PATTON: In 2010, when you had  
7 this discussion, when you discovered it,  
8 discussed it with Manuel Lopez, did he  
9 indicate that anybody else specifically, a  
10 part of upper management, was aware?

11 MR. SAXBY: No.

12 MR. PATTON: He only indicated  
13 Michael Harris was aware.

14 MR. SAXBY: At that time, yes.

15 MR. PATTON: And it's been like this  
16 for a long time.

17 MR. SAXBY: Right.

18 MR. PATTON: We're not going to fix  
19 it.

20 MR. SAXBY: Right.

21 MR. PATTON: If the legislature  
22 knows that we've got this, then they'll cut  
23 our general fund even more.

24 MR. SAXBY: Yes.

25 MR. PATTON: Okay. Then when was

1 the next time that Manuel Lopez indicated to  
2 you anybody else who specifically knew in  
3 upper management? You indicated a month ago  
4 he told you that --

5 MR. SAXBY: A month ago. When the  
6 article came out in the paper.

7 MR. PATTON: Uh-huh.

8 MR. SAXBY: And Ruth said she didn't  
9 know.

10 MR. PATTON: Uh-huh.

11 MR. SAXBY: I was on vacation. He  
12 called me, and he said, that's a lie, she  
13 knew.

14 MR. PATTON: Okay.

15 MR. SAXBY: Management team knew.

16 MR. PATTON: Okay.

17 MR. SAXBY: He said, we had a --

18 MR. PATTON: Now, did he indicate  
19 anybody else specifically? He says, Ruth  
20 Coleman knew.

21 MR. SAXBY: Yeah.

22 MR. PATTON: And then he says,  
23 management team --

24 MR. SAXBY: Team.

25 MR. PATTON: -- knew.

1 MR. SAXBY: Yeah. So Tony Perez.

2 MR. PATTON: Did he indicate Tony  
3 specifically?

4 MR. SAXBY: Yes.

5 MR. PATTON: He did use Tony's name?

6 MR. SAXBY: He used Tony's name, and  
7 this is what we he said. He said they had a  
8 meeting --

9 MR. PATTON: "They" who?

10 MR. SAXBY: Management team.

11 MR. PATTON: Okay.

12 MR. SAXBY: They met every week.

13 MR. PATTON: Okay.

14 MR. SAXBY: He said there was a  
15 meeting when Finance came to us and said we  
16 were going to lose twenty-two million, and the  
17 governor wanted the parks closed. Tony said,  
18 why don't we give them the money.

19 MR. PATTON: When would that meeting  
20 have been?

21 MR. SAXBY: I assumed that it was in  
22 the spring -- well, maybe the fall of 2010.

23 MR. PATTON: That's when you first  
24 announced that you were facing park closures?

25 MR. SAXBY: Yeah. Well -- yes.

1 MR. PATTON: So management --

2 MR. SAXBY: Well, no. Sorry.

3 MR. PATTON: No, you go ahead.

4 MR. SAXBY: Second -- you know, the  
5 first time was Arnold said it.

6 MR. PATTON: Okay.

7 MR. SAXBY: And then pulled back and  
8 didn't do it. This is under -- when Brown's  
9 now governor. Brown's not governor yet.

10 MR. PATTON: Well, he's governor  
11 yet.

12 MR. SAXBY: In '10, he wasn't  
13 governor in '10.

14 MR. PATTON: He wasn't at the time.  
15 That's correct. He took office in --

16 MR. SAXBY: Yeah, he wasn't in '10,  
17 so let me think. So it must have been '11,  
18 had to be '11.

19 MR. PATTON: Well, that's when  
20 Governor Brown took office was January --

21 MR. SAXBY: Right.

22 MR. PATTON: -- of 2011.

23 MR. SAXBY: We were told in December  
24 of 2010, so --

25 MR. PATTON: That park closures --

1 MR. SAXBY: That Parks was on the  
2 table and that the governor was going to make  
3 that a part of his budget.

4 MR. PATTON: Okay.

5 MR. SAXBY: And we had a certain  
6 amount of time to develop the list. So it was  
7 December that the transition team told us in  
8 Finance.

9 MR. PATTON: So --

10 MR. SAXBY: So it was, yeah.

11 MR. PATTON: -- Manuel Lopez is  
12 indicating that there's been a management team  
13 meeting sometime after this news from Finance  
14 that parks are on the chopping block, that  
15 there's been a management team meeting and  
16 this undisclosed twenty million dollars is  
17 discussed.

18 MR. SAXBY: Yes.

19 MR. PATTON: And he identifies that  
20 Tony Perez is there, Michael Harris --

21 MR. SAXBY: And Ruth.

22 MR. PATTON: -- and Ruth.

23 MR. SAXBY: Yeah.

24 MR. PATTON: Anybody else?

25 MR. SAXBY: He didn't tell me

1 anybody else. He just said they were there.

2 MR. PATTON: Those three?

3 MR. SAXBY: Yeah.

4 MR. PATTON: Okay.

5 MR. SAXBY: And that they were --  
6 they said, no, we're not going to do that.

7 MR. PATTON: All three concurred  
8 that --

9 MR. SAXBY: Manuel -- it was Tony  
10 and -- or was -- not Tony, because Tony  
11 brought up the question, let's not close  
12 parks, let's use that money, and Ruth and  
13 Michael, he said, said no.

14 MR. PATTON: Okay. How many times  
15 have you talked with Manuel since he's left in  
16 May?

17 MR. SAXBY: Six times maybe, six or  
18 seven.

19 MR. PATTON: You guyed had worked  
20 together for a few years at Caltrans.

21 MR. SAXBY: Five.

22 MR. PATTON: Five?

23 MR. SAXBY: Yeah.

24 MR. PATTON: And you supervised him?

25 MR. SAXBY: Yeah.

1           MR. PATTON:   And I've read where you  
2 had a Mentor/student-type relationship.  I get  
3 the impression you helped teach him something  
4 about budgets.

5           MR. SAXBY:   Management.

6           MR. PATTON:   Management?

7           MR. SAXBY:   Yeah.  Budgets he knew.

8           MR. PATTON:   Okay.  So you've talked  
9 to him about six times.  So what else have you  
10 talked about?

11          MR. SAXBY:   How he's doing, what's  
12 he doing, that particular issue.

13          MR. PATTON:   Of whether or not Ruth  
14 and Michael --

15          MR. SAXBY:   Yeah.

16          MR. PATTON:   -- and who else knew?

17          MR. SAXBY:   Yeah, because he said,  
18 I -- and I said, I don't -- he said, I'm going  
19 to go to the Bee.

20          MR. PATTON:   Okay.

21          MR. SAXBY:   And I said, I don't know  
22 that that's such a good idea, but clearly he  
23 didn't listen.

24          MR. PATTON:   So you talked about how  
25 he's doing personally.

1 MR. SAXBY: Yeah.

2 MR. PATTON: You talked about --

3 MR. SAXBY: Mostly personal, just --

4 MR. PATTON: Okay.

5 MR. SAXBY: And he's wanting to know  
6 how I'm doing.

7 MR. PATTON: Okay. So other than  
8 the issue of whether and when Michael and Ruth  
9 and who else knew about this as reported in  
10 the Bee, you haven't discussed this particular  
11 issue of the financial discrepancies since him  
12 since he's left?

13 MR. SAXBY: No --

14 MR. PATTON: Okay.

15 MR. SAXBY: -- other than that he  
16 told me that they had that meeting last month.

17 MR. PATTON: Okay. You say you  
18 taught him about management. I've read in  
19 numerous places that he's very difficult to  
20 work for, that he's a screamer.

21 MR. SAXBY: Yes.

22 MR. PATTON: Did you teach him how  
23 to do that?

24 MR. SAXBY: No.

25 MR. PATTON: So what were you trying

1 to teach him?

2 MR. SAXBY: How not to be a  
3 screamer. I would say he worked for me as a  
4 manager maybe a year, so he was a new manager,  
5 and so I didn't -- and then I retired, so I  
6 didn't really have -- complete the training.  
7 I mean, it takes more than a year to transmit  
8 knowledge.

9 When I came here, the staff wanted  
10 me to intercede for them to help make him a  
11 better manager and -- but I was just a retired  
12 annuitant working in the budget shop. I  
13 wasn't on the management team. I didn't go to  
14 meetings. I was just -- what I was trying to  
15 do was get a projection modeler so we'd know  
16 how much money there was when we closed the  
17 books. And so I didn't get involved until  
18 July of 2010 when his Administrative  
19 Assistant -- or his assistant retired, and he  
20 wanted me to come in as an RA and do that job.  
21 And I had three months' worth of hours left.  
22 And I said, you want me to do this full time,  
23 I said, I'll be gone at the end of November or  
24 beginning of October. And he said, yes, I  
25 want you to do it full time.

1           So then I got involved. So then his  
2 meetings were two hours long. He lectured all  
3 the time. He was friggin' boring. We didn't  
4 get anything accomplished, and so I just  
5 started saying, this isn't what we did,  
6 remember what we did. And at a certain point,  
7 he said to me, just run it the way you want to  
8 run it. And so then I just kept pushing back  
9 on him, let's have an agenda, let's get  
10 squared away, let's spend our time building a  
11 team, not yelling at them with all this stuff  
12 that you're talking about.

13           MR. PATTON: Did -- were you  
14 successful in persuading him to --

15           MR. SAXBY: He was getting better.

16           MR. PATTON: Yeah.

17           MR. SAXBY: He did scream once, and  
18 then I -- right after I came in here, I said,  
19 you can't do that, you got to stop, you're  
20 ruining the team.

21           MR. PATTON: You indicated you first  
22 heard about the fund discrepancy in the SPRF  
23 fund from Cheryl Taylor in April of 2010.

24           MR. SAXBY: Correct.

25           MR. PATTON: And then did -- at some

1 point in time, did Elsie Brenneman -- after  
2 she started here, did she also bring this to  
3 your attention?

4 MR. SAXBY: Yes.

5 MR. PATTON: When was that? She --  
6 I think she started here the beginning of  
7 2011.

8 MR. SAXBY: Yeah. I think she  
9 brought it up -- I don't really know exactly  
10 the time, but --

11 MR. PATTON: Not too long after  
12 she --

13 MR. SAXBY: Not too long after she  
14 started. I mean, you look at -- start looking  
15 at things and --

16 MR. PATTON: She sees it. She  
17 becomes aware.

18 MR. SAXBY: She sees it, and I'm  
19 pushing her because I'm clear that the  
20 allocation product that Cheryl put out is not  
21 correct. I don't know how it's not correct,  
22 but I push her and her new team to get to the  
23 bottom of the allocations and get to the  
24 bottom of the numbers and the projections so  
25 that we can trust the numbers.

1           MR. PATTON:  When you learned about  
2  this, first from Cheryl Taylor and then you  
3  heard it from Elsie also, and you had a  
4  discussion with Manuel Lopez and you're being  
5  told, yes, we know there's a twenty million  
6  dollar plus error inaccuracy underreported in  
7  the finance report -- you're nodding your head  
8  yes.

9           MR. SAXBY:  Yes.

10          MR. PATTON:  When -- what did you  
11 think when you were told by Manuel, upper  
12 management knows, we're not doing anything  
13 about it?  Did he tell you just to forget  
14 about it, leave it alone, don't worry  
15 yourself?

16          MR. SAXBY:  Yes.

17          MR. PATTON:  Were you okay with  
18 that?

19          MR. SAXBY:  Yeah.  At that time, I  
20 was a retired annuitant.  I was -- it wasn't a  
21 biggie.  It was -- I was trying to figure out  
22 the culture of Parks.

23          MR. PATTON:  Didn't -- this wasn't  
24 just -- and I asked you this early on.  Was  
25 this a big deal, and you're sort of like, no,

1 not really.

2 MR. SAXBY: Not in the fund  
3 condition.

4 MR. PATTON: Because?

5 MR. SAXBY: You can't use it. I  
6 mean, it's like cash, but it's not -- you  
7 can't do anything without it -- without an  
8 appropriation.

9 MR. PATTON: So it didn't -- so it's  
10 simply a failure to disclose monies to finance  
11 it because you're not disclosing, I mean,  
12 you're never going to get an appropriation for  
13 it.

14 MR. SAXBY: Correct.

15 MR. PATTON: So you're not really  
16 spending any money you're not authorized to  
17 spend.

18 MR. SAXBY: Nope.

19 MR. PATTON: So I'm almost hearing  
20 like, no harm, no foul; it's just a lie.

21 MR. SAXBY: As well as what -- what  
22 he also said was, it's kind of a safety net in  
23 case we need money for emergency or --

24 MR. PATTON: But at some point in  
25 order to use the safety net, you'll have to

1 then disclose --

2 MR. SAXBY: We have to disclose,  
3 yes.

4 MR. PATTON: Then they're at risk  
5 associated with that?

6 MR. SAXBY: I would assume, but in a  
7 crisis then the risk probably goes away and  
8 people are thankful that there's some money  
9 there, like a big fire or we had to do  
10 something.

11 MR. PATTON: Then it will be a  
12 heroic thing that you've -- go ahead. Finish  
13 that sentence for me.

14 MR. SAXBY: It could be a heroic  
15 thing that you found extra money.

16 MR. PATTON: So I've been thinking  
17 in my mind for a while that I want to call  
18 this the suicide slush fund, that yes, there's  
19 some extra money hidden away that, in a time  
20 of crisis, you could theoretically then come  
21 forward with, but the problem is you've been  
22 hiding it and not being forthright with  
23 Finance and the governor so that when you do  
24 come forward you're going to have to fall on  
25 your sword in the process.

1 MR. SAXBY: Someone.

2 MR. PATTON: Say it again.

3 MR. SAXBY: Someone will fall on the  
4 sword.

5 MR. PATTON: Someone. So there's  
6 going to be one sacrificial lamb to let out  
7 the news, and then you've got some money.

8 MR. SAXBY: Yeah.

9 MR. PATTON: Okay.

10 MR. SAXBY: I don't know that anyone  
11 thought that through.

12 MR. PATTON: I'm just wondering --

13 MR. SAXBY: Yes.

14 MR. PATTON: -- if I should  
15 recharacterize it as the knight in shining  
16 white armor slush fund. What do you think?

17 MR. SAXBY: And I say this -- I  
18 have -- we have to go beyond that -- this line  
19 we're on right now.

20 MR. PATTON: Okay.

21 MR. SAXBY: Okay. So Manuel's gone.

22 MR. PATTON: Yeah.

23 MR. SAXBY: So they bring in Kirk  
24 Sturm.

25 MR. PATTON: Yeah.

1 MR. SAXBY: And he's my -- so he  
2 comes in and he says, okay, I know nothing  
3 about budgeting, you have to explain all this  
4 to me. So I explain all this to him.

5 MR. PATTON: When you say I "explain  
6 all this to him," you're talking about  
7 including the twenty million dollar --

8 MR. SAXBY: Everything.

9 MR. PATTON: -- secretive fund?  
10 Yeah?

11 MR. SAXBY: Yes.

12 MR. PATTON: Yes.

13 MR. SAXBY: I'm the Assistant  
14 Deputy. You tell him everything.

15 MR. PATTON: So you tell him, by the  
16 way, Kirk --

17 MR. SAXBY: Yeah.

18 MR. PATTON: -- we got twenty  
19 million dollar more than --

20 MR. SAXBY: Yeah --

21 MR. PATTON: -- Finance and the  
22 governor --

23 MR. SAXBY: -- in SPRF.

24 MR. PATTON: -- and the legislature  
25 know about?

1 MR. SAXBY: Yes. So -- and Elsie  
2 brings that to him.

3 MR. PATTON: Yeah.

4 MR. SAXBY: And so I -- we went up  
5 and had a meeting with Michael.

6 MR. PATTON: Yeah.

7 MR. SAXBY: And Michael said those  
8 things.

9 MR. PATTON: Said what?

10 MR. SAXBY: Same things that Manuel  
11 had told me before --

12 MR. PATTON: Yeah.

13 MR. SAXBY: -- this has been here a  
14 long time, we're just going to keep it buried.  
15 And at the time we were -- we had a continuous  
16 appropriation request in for SPRF money, and  
17 he felt that if we got that and we managed  
18 that well that eventually we could use --  
19 start to bring that money into helping  
20 Parks --

21 MR. PATTON: "He" Michael Harris  
22 thought this?

23 MR. SAXBY: -- Park Operations.  
24 Yeah.

25 MR. PATTON: Start bringing it in

1 without people noticing?

2 MR. SAXBY: Yeah.

3 MR. PATTON: How would you do that?

4 MR. SAXBY: Through continuous  
5 appropriation.

6 MR. PATTON: Through continuous  
7 appropriation, you might be able to start  
8 drawing this -- drawing on this undisclosed  
9 fund?

10 MR. SAXBY: Yeah. Well, because  
11 it's SPRF cash.

12 MR. PATTON: Right.

13 MR. SAXBY: And so what you could do  
14 is start to use some of that money for your  
15 seed money for projects to build more SPRF,  
16 and you don't have to go to the legislature  
17 every year on that amount. So it would have  
18 been a two-year -- it would have taken two  
19 years to get down there at some -- to get into  
20 that, and I was not really clear about the  
21 thought of it all, but that's what he said.

22 MR. PATTON: Does it sound like to  
23 you like it might have worked? It sounds --

24 MR. SAXBY: Yeah. Once you have  
25 continuous appropriation, then that's getting

1 you to the checkbook.

2 MR. PATTON: Yeah. It gets you --

3 MR. SAXBY: Appropriation.

4 MR. PATTON: Right. You got an  
5 appropriation.

6 MR. SAXBY: Yeah.

7 MR. PATTON: Which, if it's  
8 continuous, you don't -- do you have a limit?

9 MR. SAXBY: Depends on how the  
10 language is written.

11 MR. PATTON: Okay. So it's possible  
12 that you could have a continuous appropriation  
13 that is not limited?

14 MR. SAXBY: Yeah.

15 MR. PATTON: It's limited to what  
16 cash is there.

17 MR. SAXBY: Yes. And is generated.

18 MR. PATTON: Somehow what you  
19 suggested to me now is that there could be  
20 some sort of a process where these monies that  
21 haven't been disclosed to end up starting to  
22 be utilized without Finance or legislature  
23 becoming aware.

24 MR. SAXBY: Yes.

25 MR. PATTON: And I guess I'm at a

1 loss to figure out how that would work. Is it  
2 because it's a long-term continuous  
3 appropriation and you're able to what,  
4 obfuscate where the monies were drawn from  
5 and -- I mean, how do you end up spending,  
6 over a period of time, twenty million more  
7 than was reported to Finance as existing in  
8 this fund and it doesn't end up being  
9 detected?

10 MR. SAXBY: That I don't know. That  
11 was just the thought.

12 MR. PATTON: It was a thought.

13 MR. SAXBY: That was the thought.

14 MR. PATTON: So you didn't --

15 MR. SAXBY: It was the philosophy.  
16 I didn't have a plan for it.

17 MR. PATTON: Okay. So you didn't --

18 MR. SAXBY: No.

19 MR. PATTON: You didn't sit down at  
20 a planning session --

21 MR. SAXBY: No.

22 MR. PATTON: -- to figure out how  
23 that was going to work?

24 MR. SAXBY: No. I just -- okay.

25 MR. PATTON: Is it -- well, you've

1     been around a while in this.  Is that  
2     something that's possible?  Can you conceive  
3     of how that might work?

4             MR. SAXBY:  I think if you did --  
5     depending on how much revenue you generated  
6     and you generated a lot of revenue that pieces  
7     of the twenty could go each year.

8             MR. PATTON:  Basically don't -- so  
9     basically through maybe an inaccurate  
10    reporting of revenue.

11            MR. SAXBY:  Yeah.

12            MR. PATTON:  That's what you're --  
13    that's what you're indicating.

14            MR. SAXBY:  Well -- or a collection  
15    of -- if -- the idea was, there's no cap on  
16    how much SPRF we can make.

17            MR. PATTON:  I get that.

18            MR. SAXBY:  So --

19            MR. PATTON:  Let me ask you if  
20    this --

21            MR. SAXBY:  Yeah, okay.

22            MR. PATTON:  -- if this little --

23            MR. SAXBY:  Yeah, all right.

24            MR. PATTON:  -- I'm going to use the  
25    word "scheme" works.

1 MR. SAXBY: Okay.

2 MR. PATTON: I've got our revenue-  
3 generating fund, park fees go into this,  
4 concession or license fees go into this. If  
5 I, in fact, have, say, twenty-five million  
6 dollars in revenues from these fees, but then  
7 I just kind of cook the books a little bit and  
8 say I had twenty-eight, I've managed to give  
9 myself three million more spending based on  
10 fee generation, I can spend three million  
11 more. You're nodding your head yes.

12 MR. SAXBY: That would be one way.

13 MR. PATTON: That would be a way to  
14 do it?

15 MR. SAXBY: Yeah. Or you have a  
16 special event down on the beach that  
17 somebody -- that we work with them on, and it  
18 generates this amount of cash.

19 MR. PATTON: Basically, I -- my  
20 brain, my suspicious brain is saying, cook the  
21 books a little, overreport revenue, now we can  
22 start drawing this little savings that we've  
23 been given.

24 MR. SAXBY: That would be a way.

25 MR. PATTON: Now, was this discussed

1 as being --

2 MR. SAXBY: No.

3 MR. PATTON: -- a possible plan?

4 MR. SAXBY: No. The strategy wasn't  
5 discussed.

6 MR. PATTON: What was discussed?  
7 You said by Mr. Harris.

8 MR. SAXBY: Just that with  
9 continuous appropriation we may have the  
10 ability at some point to start to use that  
11 money.

12 MR. PATTON: So that suggested in  
13 your head some sort of slight of hand maybe  
14 down the road.

15 MR. SAXBY: Yeah.

16 MR. PATTON: Yeah.

17 MR. SAXBY: In the fund condition.

18 MR. PATTON: Just weren't sure  
19 exactly what we're talking about.

20 MR. SAXBY: No.

21 MR. PATTON: But it clearly  
22 indicated slight after hand?

23 MR. SAXBY: Yeah.

24 MR. PATTON: Yeah. Is this  
25 inaccurate reporting in a fund condition

1 statement to Finance in your experience -- of  
2 course, you've only experienced Caltrans and  
3 Parks, but you probably know some other people  
4 out there in the state finance budget world.  
5 Is this discrepant reporting unique to Parks  
6 or is this something that we might find if we  
7 were to go and put every department's budget  
8 under a microscope?

9 MR. SAXBY: I think the fund  
10 condition is a budget document. I couldn't  
11 say if that's across the board. I would  
12 think --

13 MR. PATTON: Well, all fund  
14 condition statements are a budget document --

15 MR. SAXBY: Yeah.

16 MR. PATTON: -- across the board.

17 MR. SAXBY: Yeah, but --

18 MR. PATTON: My question is, is  
19 there any sort of like --

20 MR. SAXBY: I would think the  
21 smaller departments, no.

22 MR. PATTON: No?

23 MR. SAXBY: I would tend to think  
24 that they're -- if their general fund -- like  
25 almost -- if they're totally general fund,

1 they got nothing. There's no way.

2 MR. PATTON: No room to maneuver.

3 MR. SAXBY: Yeah, they're -- because  
4 the Controller's report -- and really, we --  
5 Cheryl said, how come Finance isn't telling us  
6 to put that money in when the Controller's  
7 report says the dollar amount? And I said, I  
8 don't know, I guess they don't look.

9 MR. PATTON: My question might  
10 not --

11 MR. SAXBY: Yeah -- sorry.

12 MR. PATTON: My question might not  
13 have been that fair for you, but you're a  
14 person with a lot of experience, a lot of  
15 years working for the State in budget  
16 operations. Is this the first time you've  
17 ever seen anything like this?

18 MR. SAXBY: No.

19 MR. PATTON: You've seen it  
20 elsewhere?

21 MR. SAXBY: I've seen it a lot, I  
22 mean, over time.

23 MR. PATTON: Inaccuracies in fund  
24 condition statements?

25 MR. SAXBY: Yes.

1 MR. PATTON: Caltrans? Seen it  
2 there?

3 MR. SAXBY: Yes.

4 MR. PATTON: Regularly?

5 MR. SAXBY: When they wanted some  
6 money out of Caltrans, it was more they told  
7 us what to put in there, and my Accounting  
8 Deputy almost had a heart attack.

9 MR. PATTON: When you -- so when you  
10 learned about this and you brought it to  
11 Manny's attention -- Manuel Lopez's attention  
12 and you were made aware that Michael Harris  
13 was aware, everything we've talked about, did  
14 you ever think this is dishonest and I don't  
15 think it should just die at this level,  
16 perhaps I ought to take this information  
17 elsewhere? That thought ever cross your mind?

18 MR. SAXBY: No.

19 MR. PATTON: Why not?

20 MR. SAXBY: It was a part of the  
21 culture, I think, then I just accepted that it  
22 was a part of the culture

23 MR. PATTON: And from what you've  
24 said, it's not that --

25 MR. SAXBY: It's not -- excuse me.

1 MR. PATTON: From what you've said,  
2 it's not that unusual; it's not unique to  
3 Parks that there be some sort of a culture of  
4 manipulating numbers.

5 MR. SAXBY: In the fund condition,  
6 different.

7 MR. PATTON: So police reports  
8 hadn't been made about it in other contexts;  
9 why is this one special and deserving of a  
10 higher alert response? Is that a fair  
11 statement?

12 MR. SAXBY: Yeah.

13 MR. PATTON: Didn't surprise you  
14 that much?

15 MR. SAXBY: No. It surprised me no  
16 plan for it since 2000.

17 MR. PATTON: You indicated one  
18 possible plan that was noted was under a  
19 continuing appropriation scenario we might be  
20 able to then start to assimilate some of these  
21 monies.

22 MR. SAXBY: Yes.

23 MR. PATTON: With a little creative  
24 accounting, reporting.

25 MR. SAXBY: Yes.

1 MR. PATTON: They didn't have any  
2 continuing appropriation authority though at  
3 the time --

4 MR. SAXBY: No.

5 MR. PATTON: -- here at Parks?

6 MR. SAXBY: No.

7 MR. PATTON: They were working on  
8 that?

9 MR. SAXBY: Yes.

10 MR. PATTON: That was on the horizon  
11 for when?

12 MR. SAXBY: It was in this last  
13 budget.

14 MR. PATTON: Did they get it?

15 MR. SAXBY: They got something.  
16 They're still arguing over the language of it.

17 MR. PATTON: For which fiscal year's  
18 budget? The current one that we're in?

19 MR. SAXBY: Yes, yeah.

20 MR. PATTON: We're in 2012-'13.

21 MR. SAXBY: '12-'13, yes.

22 MR. PATTON: So they do have some  
23 continuous appropriation authority now?

24 MR. SAXBY: I think so.

25 MR. PATTON: You say they're still

1 fighting over some language?

2 MR. SAXBY: The language, yeah.  
3 It's Budget Bill language, and so they're --  
4 I'm assuming that the budget shop is working  
5 on it. I --

6 MR. PATTON: Because it -- because  
7 we don't have a budget yet, do we?

8 MR. SAXBY: No. It's not signed.

9 MR. PATTON: They're still, oh,  
10 yeah, yeah, yeah.

11 MR. SAXBY: It's not signed. But my  
12 plan to do -- I would have just done a prior  
13 year adjustment and kept moving it in.

14 MR. PATTON: Not try to -- not try  
15 to sneak spend money --

16 MR. SAXBY: No.

17 MR. PATTON: -- just correct the --

18 MR. SAXBY: Just correct it, correct  
19 it.

20 MR. PATTON: Why do you not like the  
21 idea of sneaking some additional money in?

22 MR. SAXBY: Well, I don't like  
23 sneaking the money in.

24 MR. PATTON: You don't like the  
25 sneaky part of it.

1           MR. SAXBY: Well, I mean, at some  
2 point then you're saying --

3           MR. PATTON: Well, let me -- let's  
4 dissect that.

5           MR. SAXBY: Yeah.

6           MR. PATTON: What part of the  
7 sentence "sneaking the money in" don't you  
8 like? Sneaking or money?

9           MR. SAXBY: Sneaking. Not -- I  
10 mean, you're -- you have -- we have an  
11 accounting system that tracks the money. So  
12 to sneak, you're going to have to do something  
13 to that system then. That would bother me.

14          MR. PATTON: Yeah. Okay. Let's  
15 talk about that for a minute. I'm aware --  
16 I've seen a comparative report -- I've seen  
17 memos dated April 8, '02 and June 5, '03 from  
18 Finance that have been explained to me as  
19 having gone to all Budget Officers at state  
20 departments. And I'll give you a minute just  
21 to kind of look those over, and I'll tell you  
22 that the text of the memo is essentially  
23 identical.

24          MR. SAXBY: Okay.

25          MR. PATTON: Had you ever seen these

1 memos before?

2 MR. SAXBY: Sure. I haven't seen  
3 them in here.

4 MR. PATTON: You haven't seen them  
5 in Parks?

6 MR. SAXBY: No, but I know the  
7 Controller does -- we spent a lot of time  
8 reconciling at Caltrans the difference between  
9 the Controllers and the final budget.

10 MR. PATTON: And you left Caltrans  
11 when?

12 MR. SAXBY: 2005.

13 MR. PATTON: Yeah. Then you worked  
14 as an RA in '6, '7, '8, and '9 at Caltrans.  
15 These were from '02 and '3, and these show  
16 discrepancies between what's been reported in  
17 vary special funds, and I've highlighted the  
18 Parks and the SPRF and the Off Highway Vehicle  
19 funds, and they show the discrepancies between  
20 what's been reported in various special funds  
21 to the Controller versus to the Department of  
22 Finance through the budget process.

23 MR. SAXBY: Right.

24 MR. PATTON: And this shows our --  
25 it shows 22,000,000 --

1 MR. SAXBY: Twenty-two-seven, yeah.

2 MR. PATTON: -- 795, and this is for  
3 FY03, I think.

4 MR. SAXBY: Um-hum.

5 MR. PATTON: This is an '0 -- April  
6 '02 and was for whatever fiscal year. And you  
7 were just saying -- so this is telling me that  
8 the numbers are available if someone goes and  
9 looks at what agencies are reporting to the  
10 Controller, they're going to see, based on a  
11 cash accounting method, the actual monies.

12 MR. SAXBY: Yes. Was there not a  
13 response to this?

14 MR. PATTON: Well, this is going out  
15 to a whole bunch of departments.

16 MR. SAXBY: Right.

17 MR. PATTON: When I look at the  
18 total --

19 MR. SAXBY: But someone --

20 MR. PATTON: When I look at the  
21 absolute total total -- I like this one  
22 better. This is the next year's; this is '03.  
23 Let's look at '03's because this one shows a  
24 total of 1.9 billion --

25 MR. SAXBY: Right.

1 MR. PATTON: -- in discrepancies.

2 MR. SAXBY: Yeah.

3 MR. PATTON: And that got my  
4 attention. And so what I'm seeing here is I  
5 see reports that tell me that there are  
6 discrepancies between what various special  
7 funds are reporting to Controller versus  
8 Finance Department.

9 MR. SAXBY: Yes.

10 MR. PATTON: You agree with that?

11 MR. SAXBY: And I -- when those were  
12 sent out, what was the response?

13 MR. PATTON: We, I don't know  
14 because I haven't polled every one of those  
15 agencies --

16 MR. SAXBY: Okay.

17 MR. PATTON: -- with those special  
18 projects.

19 MR. SAXBY: No, but just -- but us.  
20 What did we -- did we not respond to that  
21 request to talk about that gap? Isn't that  
22 what this is saying?

23 MR. PATTON: Well, you and I weren't  
24 here in '02 and '3.

25 MR. SAXBY: Yeah, no.

1 MR. PATTON: But I can see from this  
2 report that a twenty-two million dollar  
3 discrepancy in the SPRF fund is being  
4 highlighted.

5 MR. SAXBY: Um-hum.

6 MR. PATTON: And I can see from the  
7 charts that have been given to me that a  
8 twenty million dollar plus discrepancy has  
9 perpetuated ever since.

10 MR. SAXBY: Yeah, got higher.

11 MR. PATTON: Sorry? Got higher in  
12 the '03 report.

13 MR. SAXBY: Higher in the '03  
14 report.

15 MR. PATTON: To what?

16 MR. SAXBY: Twenty-six-eight.

17 MR. PATTON: Yeah. Twenty-six-eight  
18 for --

19 MR. SAXBY: From twenty-two-seven.

20 MR. PATTON: Yeah.

21 MR. SAXBY: For SPRF.

22 MR. PATTON: For FY01-02.

23 MR. SAXBY: Yeah.

24 MR. PATTON: That's right.

25 MR. SAXBY: Okay.

1 MR. PATTON: Now, the answer to your  
2 question is, I don't know what the response  
3 was. All I know is that the charts I've been  
4 given show me that that same discrepancy has  
5 continued.

6 MR. SAXBY: Yep.

7 MR. PATTON: It's -- the numbers  
8 have changed a little bit, but I can see it  
9 hasn't been fixed. I can see that memo asked  
10 the departments that are -- whose special  
11 funds are being reported as having  
12 discrepancies to fix it.

13 MR. SAXBY: Um-hum.

14 MR. PATTON: And I can see from  
15 looking at the history of the SPRF fund it's  
16 never gotten fixed.

17 MR. SAXBY: Um-hum.

18 MR. PATTON: You agree?

19 MR. SAXBY: Um-hum.

20 MR. PATTON: You had seen these  
21 memos sometime earlier in your career at  
22 Caltrans?

23 MR. SAXBY: Sure. Every year you  
24 get a -- you usually get a memo from the  
25 Controller's office saying, explain the

1 differences.

2 MR. PATTON: Now, my understanding  
3 from someone who provided these to me is that  
4 after '03 that's when these memos stopped.

5 MR. SAXBY: Okay.

6 MR. PATTON: Do you know?

7 MR. SAXBY: I don't know for sure,  
8 but I --

9 MR. PATTON: You don't know whether  
10 you've seen this type of a fund discrepancy  
11 report since '03?

12 MR. SAXBY: I mean -- yeah.

13 MR. PATTON: Yes?

14 MR. SAXBY: No, I don't know. I  
15 would not have been involved in this at  
16 Caltrans.

17 MR. PATTON: Okay.

18 MR. SAXBY: I've seen the memos. We  
19 had them when I was at Integrated Waste. I  
20 mean, it was a normal annual explain the  
21 difference.

22 MR. PATTON: Well, I don't know if I  
23 know all the facts correctly, but it -- from  
24 what I have learned, it sounds to me like this  
25 information is available if someone were to do

1 a side-by-side listing -- you're nodding your  
2 head yes.

3 MR. SAXBY: Yes.

4 MR. PATTON: Do a side-by-side  
5 listing of what's been reported to the  
6 Controller and what's being reported to  
7 Finance.

8 MR. SAXBY: Correct.

9 MR. PATTON: And my information is  
10 that that used to be done and after '03, for  
11 some reason, it just stopped being done.

12 MR. SAXBY: Okay.

13 MR. PATTON: Okay. You don't know?

14 MR. SAXBY: I don't know.

15 MR. PATTON: But what we do know is  
16 that it can be done, correct?

17 MR. SAXBY: Yes.

18 MR. PATTON: Okay.

19 MR. SAXBY: Both Elsie and Cheryl  
20 said, how come Finance doesn't see this  
21 difference?

22 MR. PATTON: Why don't they look at  
23 what's on the Controller's reports?

24 MR. SAXBY: Yeah.

25 MR. PATTON: So, in fact, this

1 hiding of the twenty million plus from  
2 Finance, it's really -- it's not exactly an  
3 altogether hiding; it's in another report.

4 MR. SAXBY: Yeah.

5 MR. PATTON: You're laughing.

6 MR. SAXBY: Yes. I -- if I were at  
7 Finance, I'd have known.

8 MR. PATTON: It's not the most  
9 sophisticated game of hide and seek we've ever  
10 seen.

11 MR. SAXBY: No.

12 MR. PATTON: The problem is the lack  
13 of comparison of the numbers.

14 MR. SAXBY: Yes.

15 MR. PATTON: No one took the time to  
16 look at the two numbers.

17 MR. SAXBY: No.

18 MR. PATTON: Well, we know they did  
19 back in '02 and '3.

20 MR. SAXBY: Yeah.

21 MR. PATTON: Didn't get fixed.

22 MR. SAXBY: Yes.

23 MR. PATTON: So the word's been out,  
24 correct?

25 MR. SAXBY: Yes.

1           MR. PATTON: Now, when we talked  
2 about the plan for maybe, under a continuing  
3 appropriation scenario, sort of gradually  
4 assimilating some of these dollars and  
5 spending them, we talked about through some  
6 slightly sneaky reporting methodologies --

7           MR. SAXBY: Yes.

8           MR. PATTON: -- such as, we talked  
9 about revenues, this is a revenue-generating  
10 fund that you could theoretically misstate the  
11 revenue, overstate it, and you can start  
12 bringing some of these so-called secretive  
13 funds in.

14          MR. PATTON: Um-hum.

15          MR. PATTON: Yes?

16          MR. SAXBY: Yes.

17          MR. PATTON: Is my plan working so  
18 far?

19          MR. SAXBY: Yes.

20          MR. PATTON: But -- go ahead.

21          MR. SAXBY: Okay.

22          MR. PATTON: It does sound like that  
23 might work, right?

24          MR. SAXBY: Yeah, yeah, but I would  
25 have assumed, since Michael knew --

1 MR. PATTON: Knew what?  
2 MR. SAXBY: Finance.  
3 MR. PATTON: Yeah.  
4 MR. SAXBY: -- and that this was  
5 available, that the information was available.  
6 MR. SAXBY: These memos I just  
7 showed you --  
8 MR. SAXBY: Yeah.  
9 MR. PATTON: -- the side-by-side.  
10 MR. SAXBY: And he had to know that  
11 the Controller's report had the real number.  
12 MR. PATTON: Right.  
13 MR. SAXBY: I would assume his --  
14 MR. PATTON: That my sneaky  
15 assimilation scenario is a little risky, isn't  
16 it?  
17 MR. SAXBY: It -- yes.  
18 MR. PATTON: I could get caught.  
19 MR. SAXBY: But -- yes, but he had  
20 to have, in his mind -- if I'm him, I'm saying  
21 if they find it, we go, oh, okay.  
22 MR. PATTON: Okay what?  
23 MR. SAXBY: We'll fix it.  
24 MR. PATTON: Oh, thanks for pointing  
25 out our error?

1 MR. SAXBY: Thanks for pointing out  
2 our error.

3 MR. PATTON: We'll get right on  
4 that.

5 MR. SAXBY: We'll -- the next fund  
6 condition will say the right number.

7 MR. PATTON: Okay. So I guess it  
8 wasn't contemplated that it would ever come to  
9 the day where it became a story of people knew  
10 this and they intentionally didn't fix it.

11 MR. SAXBY: No, and within the  
12 context of closing parks and public concern  
13 that this could have been used to keep some  
14 parks open and that we were --

15 MR. PATTON: It would -- what are  
16 you trying to tell me? It would have wound up  
17 looking heroic. One of the possible outcomes  
18 is this would have all looked heroic.

19 MR. SAXBY: If we'd found it, yeah.

20 MR. PATTON: We stumbled across a  
21 bunch of money.

22 MR. SAXBY: Yes.

23 MR. PATTON: We get to keep some  
24 parks open.

25 MR. SAXBY: We can use this money.

1 It's a one-time money, but you can use this  
2 money.

3 MR. PATTON: So really all we got to  
4 do is say we've had an accounting error for a  
5 while, we just discovered.

6 MR. SAXBY: Yeah, yes, could have.

7 MR. PATTON: Another alternative.

8 MR. SAXBY: Yes.

9 MR. PATTON: And really, there  
10 was -- you said there wasn't a plan though.

11 MR. SAXBY: No.

12 MR. PATTON: These are just some  
13 alternatives we're thinking about.

14 MR. SAXBY: Yes. I can't say I know  
15 what was in their head. I'm only --

16 MR. PATTON: All right.

17 MR. SAXBY: -- speculating.

18 MR. PATTON: Well, it seemed like a  
19 productive brainstorming session. Did you  
20 ever know about the directing of some -- I'm  
21 going to go on a different subject here for a  
22 second -- directing of some automated pay  
23 machine monies, shower -- park shower machine  
24 monies going into a reimbursement account?

25 MR. SAXBY: Yes.

1 MR. PATTON: It's been represented  
2 to me that that's not the legitimate way to  
3 report it, that it should be reported as  
4 revenue, it shouldn't -- and no part of it  
5 sent over to the department's reimbursement  
6 account. What do you think?

7 MR. SAXBY: I would say that that's  
8 correct; it's revenue.

9 MR. PATTON: So how does that work?  
10 I mean, what's a reimbursement account?

11 MR. SAXBY: Well, it's a separate  
12 account where you put money in and then, when  
13 they pay a bill, they charge against that for  
14 that. And the point -- the reason that they  
15 did it --

16 MR. PATTON: Who's "they"?

17 MR. SAXBY: The Park Operations in  
18 working with Manuel, I'm assuming, because --

19 MR. PATTON: Okay.

20 MR. SAXBY: The idea there was if  
21 you raise shower fees and fees in your park  
22 and it goes into the general --

23 MR. PATTON: When you say "raise,"  
24 you mean you generate --

25 MR. SAXBY: Yeah, you generate.

1 MR. PATTON: -- as opposed to  
2 increasing.

3 MR. SAXBY: Yeah, and increase.  
4 It's going to cost you --

5 MR. PATTON: When you --

6 MR. SAXBY: -- six quarters for a  
7 shower instead of --

8 MR. PATTON: Okay.

9 MR. SAXBY: You're generating more  
10 money from your base --

11 MR. PATTON: You're generating fees.

12 MR. SAXBY: You're generating fees.

13 MR. PATTON: Revenue.

14 MR. SAXBY: And if goes in as a  
15 normal fee, it goes into SPRF and it becomes a  
16 part of the overall allocation process, you  
17 don't ever see a benefit at the park level  
18 unless management makes sure you get that.

19 MR. PATTON: You got to get the  
20 appropriations, got to go through the whole  
21 budget process.

22 MR. SAXBY: It has to go through the  
23 process, right. Whereas if it's a revenue or  
24 a reimbursement, then as soon as -- if they  
25 have something and they know they have this

1 fund and they buy something and charge it  
2 against the reimbursement fund, then they  
3 have -- then it's there locally.

4 MR. PATTON: So you have to have  
5 authority to set up a reimbursement account?

6 MR. SAXBY: Yeah, and we have tons  
7 of reimbursement.

8 MR. PATTON: You got reimbursement  
9 authority.

10 MR. SAXBY: Yeah, you never spend  
11 all your reimbursement authority.

12 MR. PATTON: And the idea is that  
13 you've got some operating funds, and when you  
14 spend out of those funds to purchase  
15 something --

16 MR. SAXBY: That's my meter. I need  
17 to go feed my meter.

18 MR. PATTON: Okay. Why don't you do  
19 that, and we'll come back to reimbursement  
20 accounts.

21 MR. SAXBY: Okay.

22 MR. PATTON: We're going off at  
23 3:12.

24 MR. SAXBY: I'll be right back.

25 MR. PATTON: Thanks.

1 MR. SAXBY: Can we take a break?

2 MR. PATTON: Yeah, we're doing that.

3 MR. SAXBY: Well, let's --

4 MR. PATTON: Let's take a fifteen-  
5 minute break.

6 MR. SAXBY: I need to go to the  
7 bathroom, too.

8 MR. PATTON: Yeah. Take fifteen.

9 MR. SAXBY: Stay concentrated.

10 (Recess from 3:12 p.m. until 3:22 p.m.)

11 MR. PATTON: All right. We're back  
12 on the record with Mr. David Saxby. It is now  
13 3:22.

14 We were talking about reimbursement  
15 accounts, and I don't want to make this too  
16 much of a budget and accounting tutorial for  
17 myself. Suffice it to say, what I have been  
18 told and that you've confirmed is that  
19 revenues generated from automated park pay  
20 machines and shower machines, some of that was  
21 credited to a reimbursement account, and  
22 you're nodding your head yes.

23 MR. SAXBY: Yes.

24 MR. PATTON: You're aware of that?

25 MR. SAXBY: I am aware of that.

1 MR. PATTON: And you agreed that,  
2 from an accounting, from a state finance  
3 reporting perspective, they should be getting  
4 reported as revenue.

5 MR. SAXBY: Yes.

6 MR. PATTON: So what we have is, as  
7 I understand it, a diversion of some revenue  
8 funds into a reimbursement account.

9 MR. SAXBY: Yes.

10 MR. PATTON: Do you know how much of  
11 that was diverted?

12 MR. SAXBY: No.

13 MR. PATTON: I've been told the  
14 figure is somewhere in the range of 600,000 or  
15 more.

16 MR. SAXBY: Okay.

17 MR. PATTON: You've never heard a  
18 number?

19 MR. SAXBY: I have -- no, wouldn't  
20 be --

21 MR. PATTON: Do you know any -- what  
22 do you know about this sending of pay machine  
23 revenues into a reimbursement account?

24 MR. SAXBY: Well, to me, it's one of  
25 the big, big arguments that the districts --

1 the park districts bring to the table each  
2 year is we're generating revenue here, but we  
3 don't get the results of that work that we're  
4 doing. You take the money up in headquarters  
5 and you do not help us with that money. So we  
6 want something where if we generate the  
7 revenue it stays with us.

8 MR. PATTON: All of it?

9 MR. SAXBY: Yes. That's what they  
10 want.

11 MR. PATTON: They want it all?

12 MR. SAXBY: Yeah, of the increase,  
13 of an increase.

14 MR. PATTON: The increase.

15 MR. SAXBY: Of an increase.

16 MR. PATTON: When we increase --

17 MR. SAXBY: Yeah.

18 MR. PATTON: -- these fees, we want  
19 the --

20 MR. SAXBY: Yeah.

21 MR. PATTON: -- we want to retain  
22 the increment?

23 MR. SAXBY: Yes. If we're putting  
24 in more work to do more to generate more fees,  
25 we want that result --

1 MR. PATTON: Okay. So they want --

2 MR. SAXBY: -- to stay with us so we  
3 can do more.

4 MR. PATTON: All right.

5 MR. SAXBY: And so I assume that  
6 that was a work around that Manuel came up  
7 with to let them keep the money in the park.

8 MR. PATTON: You never discussed  
9 this with Manuel?

10 MR. SAXBY: No.

11 MR. PATTON: How did you become  
12 aware of it, that monies were being sent to a  
13 reimbursement account?

14 MR. SAXBY: Dorothy Kroll brought it  
15 up, I think, last year.

16 MR. PATTON: Well, you indicated  
17 you're aware it's out -- it's not procedurally  
18 technically correct. You're nodding your head  
19 yes.

20 MR. SAXBY: Yes.

21 MR. PATTON: You were aware of that?

22 MR. SAXBY: I'm aware it's --

23 MR. PATTON: And Dorothy had brought  
24 it to your attention?

25 MR. SAXBY: Yes.

1 MR. PATTON: Did you think anything  
2 should be done about that?

3 MR. SAXBY: No.

4 MR. PATTON: Why not?

5 MR. SAXBY: It's being spent on park  
6 stuff, and I understand they're -- it helps  
7 them to generate -- to put an incentive for  
8 them to generate money and --

9 MR. PATTON: So it was serving the  
10 greater good?

11 MR. SAXBY: Yeah, and it was  
12 created -- and it was creative.

13 MR. PATTON: You like creative?

14 MR. SAXBY: I kind of like creative.

15 MR. PATTON: Yeah.

16 MR. SAXBY: And I would not view  
17 it -- it wasn't being spent against -- they  
18 had to have invoices to spend it, and it  
19 wasn't being spent against anything. And I  
20 did see that -- from my experience here in  
21 headquarters that Tony in Park Operations and  
22 their whole allocation process didn't take  
23 into consideration the concerns.

24 MR. PATTON: So I guess what I'm  
25 hearing you saying is that you know that it's

1 not procedurally correct; it's not in accord  
2 with Finance reporting requirements.

3 MR. SAXBY: Accounting principles.

4 MR. PATTON: Oh, okay. That's a  
5 different thing --

6 MR. SAXBY: Yeah.

7 MR. PATTON: -- than State  
8 Department of Finance reporting --

9 MR. SAXBY: I'm assuming --

10 MR. PATTON: -- regulations and  
11 guidelines.

12 MR. SAXBY: -- yeah, I'm assuming at  
13 some level, and I did never look into it --

14 MR. PATTON: Okay. So when --

15 MR. SAXBY: -- that Manuel and  
16 Dorothy worked out how to handle this.

17 MR. PATTON: So when you say that it  
18 should be reported as revenue as opposed to  
19 just going straight into a reimbursement  
20 account and not counting towards revenue --

21 MR. SAXBY: Yes.

22 MR. PATTON: -- you're saying that  
23 from an accounting report perspective?

24 MR. SAXBY: Yes.

25 MR. PATTON: Not that you're

1 familiar with particular finance rules about  
2 how to account.

3 MR. SAXBY: No -- yes, I'm not --

4 MR. PATTON: You're not?

5 MR. SAXBY: I'm not familiar with  
6 that.

7 MR. PATTON: Why not? You've worked  
8 a lot of years in the state budget finance  
9 world.

10 MR. SAXBY: I worked mostly in  
11 Capital.

12 MR. PATTON: But you know revenue is  
13 revenue.

14 MR. SAXBY: Yes, I do.

15 MR. PATTON: And you know that  
16 there's such a thing as a reimbursement  
17 account if you get authority to set it up.

18 MR. SAXBY: Yes, I do.

19 MR. PATTON: And you reimburse  
20 yourself for expenditures.

21 MR. SAXBY: Yes.

22 MR. PATTON: And these were not  
23 reimbursements for expenditures.

24 MR. SAXBY: No.

25 MR. PATTON: These were diverting

1 revenue into -- so doesn't that tell you that  
2 that's got to be somewhere touched upon in the  
3 state rules and regulations about reporting  
4 that?

5 MR. SAXBY: I would think so.

6 MR. PATTON: You would think so.

7 MR. SAXBY: I would think there's  
8 something that says reimbursement and has a  
9 paragraph definition of what that is.

10 MR. PATTON: But that's not your  
11 specialty is --

12 MR. SAXBY: No.

13 MR. PATTON: Okay.

14 MR. SAXBY: And I -- in walking  
15 downstairs, I would say this: Manuel was the  
16 expert here in Budgets, in being the Budget  
17 Officer and being the budget manager. So that  
18 was not an area that I paid a lot of attention  
19 to other than to build tools to get  
20 information. And so he ran, pretty much, the  
21 budget stuff. I, every once in a while -- and  
22 he -- and that was his -- that was one of his  
23 directs, he ran that. He said can I --  
24 because I had a lot of other things to do.  
25 And so he took care of the financial budget

1 piece, pretty much, and I didn't really get  
2 into detail or -- I mean, I just -- I knew the  
3 ancillary stuff that we're saying, but on a  
4 daily basis I probably never looked at a  
5 spreadsheet that was in any meetings.

6 MR. PATTON: So I guess what I'm  
7 hearing is this -- Dorothy alerted you to  
8 this.

9 MR. SAXBY: Yes.

10 MR. PATTON: And she obviously  
11 didn't feel it was being accounted for  
12 correctly.

13 MR. SAXBY: Right.

14 MR. PATTON: And you agree, it  
15 doesn't sound like it's been accounted for  
16 correctly.

17 MR. SAXBY: Yeah.

18 MR. PATTON: But it's ultimately  
19 going to a worthwhile purpose.

20 MR. SAXBY: Yeah. And I'm assuming  
21 she was working with Manuel and had told  
22 Manuel that and then they had worked out --

23 MR. PATTON: And so if something  
24 needed to be fixed, that was not -- it was not  
25 your --

1 MR. SAXBY: It wasn't my job to --

2 MR. PATTON: It wasn't my job --

3 MR. SAXBY: -- fix it.

4 MR. PATTON: Exactly. It wasn't my  
5 job to fix it. Okay. Dorothy came to you in  
6 January of this year after Aaron took over.  
7 She came to you with a full-page list of  
8 issues and questions, right?

9 MR. SAXBY: Yes.

10 MR. PATTON: Remember that?

11 MR. SAXBY: Yes, I do.

12 MR. PATTON: Was any of that -- what  
13 did you do with that, and did any of that  
14 strike you as things that were your job to  
15 deal with?

16 MR. SAXBY: I went through that list  
17 with Aaron and talked about what I knew.

18 MR. PATTON: When did you go through  
19 the list with him? She gave it to you; it's  
20 dated January 25.

21 MR. SAXBY: She didn't give it to  
22 me.

23 MR. PATTON: She didn't give it to  
24 you. She gave it to Aaron, didn't she?

25 MR. SAXBY: She gave it to Aaron.

1 Aaron gave it to me.

2 MR. PATTON: Sometime later.

3 MR. SAXBY: Yeah. I'm not sure --

4 MR. PATTON: Probably --

5 MR. SAXBY: -- and she gave that to  
6 Kirk.

7 MR. PATTON: She had given the same  
8 list to Kirk?

9 MR. SAXBY: Yeah.

10 MR. PATTON: Had Kirk shown you that  
11 list?

12 MR. SAXBY: No.

13 MR. PATTON: So the first time you  
14 saw it was when Aaron forwarded --

15 MR. SAXBY: When Aaron gave it to  
16 me.

17 MR. PATTON: -- it to you?

18 MR. SAXBY: Yes.

19 MR. PATTON: Is it -- it might have  
20 been maybe then in early February?

21 MR. SAXBY: Yeah.

22 MR. PATTON: And you -- what did you  
23 do? You went over the list with Aaron or did  
24 you go over the list first with Dorothy?

25 MR. SAXBY: First I went over the

1 list with Dorothy and went through what I  
2 understood from my perspective --

3 MR. PATTON: Uh-huh.

4 MR. SAXBY: -- because the -- I  
5 think her list sort of indicated -- had lots  
6 of different indications that at some level I  
7 needed to be responsible for.

8 MR. PATTON: Were you -- did you  
9 feel like you did need to be responsible for  
10 any of it?

11 MR. SAXBY: No, I -- well, I'd have  
12 to go through the list and --

13 MR. PATTON: Okay.

14 MR. SAXBY: I talked to Aaron. I  
15 told Aaron everything that I told Kirk about  
16 this, about all of the issues on her list.

17 MR. PATTON: Everything, okay. When  
18 did you then sit down with Aaron and talk  
19 about it?

20 MR. SAXBY: Probably Marchish,  
21 somewhere in there.

22 MR. PATTON: Okay. Do you remember  
23 that the twenty million dollar unreported SPRF  
24 funds were an item on that list?

25 MR. SAXBY: Yeah, they probably

1 were.

2 MR. PATTON: Yeah, I think they  
3 were.

4 MR. SAXBY: Yeah, yeah.

5 MR. PATTON: I think they were --

6 MR. SAXBY: Yeah.

7 MR. PATTON: -- item 19 and 20.

8 MR. SAXBY: Okay. But --

9 MR. PATTON: Did you talk with Aaron  
10 then about it?

11 MR. SAXBY: At -- when Elsie brought  
12 that to the table, we talked about that. I  
13 didn't --

14 MR. PATTON: "We" who?

15 MR. SAXBY: Elsie, Aaron, and I.

16 MR. PATTON: When did she bring it  
17 to the table?

18 MR. SAXBY: When she was -- we had  
19 the new fund condition that she was working  
20 on, and here was the problem.

21 MR. PATTON: So do you know --

22 MR. SAXBY: And there were other  
23 reporting --

24 MR. PATTON: Do you know when that  
25 might have been? She started here in February

1 of 2011.

2 MR. SAXBY: Yeah. I'm thinking -- I  
3 think was March or end of March, March, April;  
4 it's right in there. I don't know exactly.

5 MR. PATTON: Okay.

6 MR. SAXBY: And I know that Aaron  
7 wouldn't have had a clue --

8 MR. PATTON: Yeah.

9 MR. SAXBY: -- of that.

10 MR. PATTON: Yeah.

11 MR. SAXBY: And when I told him,  
12 then he had a clue.

13 MR. PATTON: Okay.

14 MR. SAXBY: And then he started  
15 pushing to daylight.

16 MR. PATTON: When you talked back in  
17 February with Ms. Murphy, there's a discussion  
18 I want to ask you a little bit about. And  
19 this may not be relevant to a whole lot. In  
20 February -- so Ms. Murphy asked you, what's  
21 the last time you've had a discussion at all  
22 with Mr. Lopez, and you said, I talked to him  
23 last Friday. She says, and what was the  
24 reason that you were in touch on Friday? You  
25 responded, we're friends, and I was just

1 chat -- and I just was chatting with him  
2 and -- and I wanted to let him know that we  
3 had reconciled the budget, and I wanted him to  
4 get the products. And then you go on to say,  
5 there was a discrepancy, another issue that he  
6 was dealing with in his -- there was a  
7 discrepancy of how did we close the books in  
8 the black when the field was projected to be  
9 overspending, and it took me a year to  
10 reconcile that. And so I have the product, so  
11 I told him I got the number, and it was a big  
12 number, fourteen million dollars, and so I  
13 said, I'll send it to you so you can see to  
14 you'll know what and how we reconciled it.  
15 And I just want to find out what we're talking  
16 about with this fourteen million dollars.

17 MR. SAXBY: The allocation went out  
18 and was fourteen million dollars short.

19 MR. PATTON: The allocation for?

20 MR. SAXBY: Last -- that year's  
21 budget.

22 MR. PATTON: For?

23 MR. SAXBY: For --

24 MR. PATTON: Parks Operations?

25 MR. SAXBY: For -- yeah, for the

1 whole department.

2 MR. PATTON: For the whole  
3 department.

4 MR. SAXBY: For the whole  
5 department. It all adds up to a number.

6 MR. PATTON: Your total Park  
7 Department allocation.

8 MR. SAXBY: Right.

9 MR. PATTON: And you said it was  
10 what?

11 MR. SAXBY: And it was short  
12 fourteen million dollars in -- when it went  
13 out.

14 MR. PATTON: I guess I don't know  
15 what that means.

16 MR. SAXBY: Okay.

17 MR. PATTON: Short how?

18 MR. SAXBY: Cheryl Taylor did the  
19 allocation, and however they did it and what  
20 they reconciled to, there was fourteen million  
21 not in the number.

22 MR. PATTON: So let me be clear.

23 MR. SAXBY: Yeah.

24 MR. PATTON: So the budget manager,  
25 the budget part of admin services here --

1 MR. SAXBY: Right.

2 MR. PATTON: -- doesn't allocate --

3 MR. SAXBY: Doesn't allocate --

4 MR. PATTON: -- department-wide --

5 MR. SAXBY: -- all the money.

6 MR. PATTON: -- all the money that's

7 been appropriated.

8 MR. SAXBY: Yeah. It should have --

9 MR. PATTON: Yeah.

10 MR. SAXBY: -- but there was

11 fourteen million --

12 MR. PATTON: Not allocated.

13 MR. SAXBY: -- not allocated.

14 MR. PATTON: Okay.

15 MR. SAXBY: And then it took Elsie

16 and her people all that time to get down to --

17 and when we closed the books, our projection

18 model says that the districts were overspent

19 twenty-two million, the Park Operations --

20 MR. PATTON: Um-hum.

21 MR. SAXBY: -- but we closed in the

22 black. So I want -- so I said we need to

23 answer that question.

24 MR. PATTON: So the numbers weren't

25 right?

1 MR. SAXBY: Right, in the  
2 allocation.

3 MR. PATTON: Yeah.

4 MR. SAXBY: Okay. And they  
5 supposedly should tie to the governor's  
6 budget. And when we got it --

7 MR. PATTON: Wait, wait. Let me say  
8 this in real simple terms. The allocation is  
9 what the department is then proposing to  
10 spend, this is how they're going to spend the  
11 money that's been given --

12 MR. SAXBY: That it's been given --

13 MR. PATTON: -- that's been  
14 appropriated --

15 MR. SAXBY: -- to spend, yes.

16 MR. PATTON: -- and it ought to  
17 roughly approximate the amount that was  
18 appropriated.

19 MR. SAXBY: Correct.

20 MR. PATTON: And somehow there is  
21 fourteen million less allocated, and yet  
22 projections that we're going to overspend by  
23 twenty-two million.

24 MR. SAXBY: In Parks.

25 MR. PATTON: In the Parks Operations

1 part.

2 MR. SAXBY: In the Park Operation  
3 side.

4 MR. PATTON: Okay.

5 MR. SAXBY: Okay. So if the  
6 department closes in the black, that's fine.  
7 That's what we're held to for our  
8 appropriation.

9 MR. PATTON: Yeah.

10 MR. SAXBY: Okay. The question was,  
11 has a part of the discussion for how are we  
12 going to handle the next twelve million dollar  
13 cut and will park closures get us that twelve  
14 million. The park superintendants felt that  
15 something was seriously wrong because we  
16 closed in the black, but they overran their  
17 budgets, and Tony had told them they could do  
18 that. And so there was a question what -- how  
19 did that happen, how did we cover twenty-two  
20 million that they overran.

21 MR. PATTON: Yeah.

22 MR. SAXBY: And so I -- that was the  
23 product. And I had told --

24 MR. PATTON: And it was because  
25 there had been an error in computing the

1 allocations --

2 MR. SAXBY: Right. And --

3 MR. PATTON: -- and there was  
4 actually fourteen million unallocated.

5 MR. SAXBY: Correct.

6 MR. PATTON: So how does it -- how  
7 do you end up in the black if they ran over  
8 twenty-two million, we've got fourteen million  
9 unallocated that covers part of that --

10 MR. SAXBY: Right. And then --

11 MR. PATTON: -- so I'm still looking  
12 for eight million dollars.

13 MR. SAXBY: They had held back -- he  
14 held back a fund, a special fund --

15 MR. PATTON: Okay. He --

16 MR. SAXBY: Manuel -- to protect  
17 himself from --

18 MR. PATTON: There was a reserve.

19 MR. SAXBY: Yeah.

20 MR. PATTON: He held on to a  
21 reserve.

22 MR. SAXBY: He held on to a reserve  
23 because --

24 MR. PATTON: To cover the spread.

25 MR. SAXBY: -- because they did

1 over -- they tended to overspend --

2 MR. PATTON: Okay.

3 MR. SAXBY: -- and he wasn't sure  
4 that those managers would handle things, and  
5 then if they didn't, then he would be on the  
6 block, not them.

7 MR. PATTON: Yeah, yeah, yeah. How  
8 much of the reserve do you think he held on  
9 to?

10 MR. SAXBY: I think it was around  
11 six, so in the end, there's a sheet --

12 MR. PATTON: Okay. It all worked  
13 out.

14 MR. SAXBY: It worked out. And this  
15 year, I gave it all -- I gave them that  
16 fourteen million in the allocation file.

17 MR. PATTON: Okay.

18 MR. SAXBY: And they spent it.

19 MR. PATTON: So that was a  
20 fourteen -- that was an additional fourteen  
21 million dollar reserve by accident?

22 MR. SAXBY: Yes.

23 MR. PATTON: Okay.

24 MR. SAXBY: That was one where  
25 someone would cut your throat if they knew

1 about it.

2 MR. PATTON: I assume, from looking  
3 at the historical organization charts that  
4 Michael Harris was very familiar with the  
5 whole budge process because he used to be the  
6 Admin Services Director.

7 MR. SAXBY: Absolutely. He and  
8 Manuel and Ruth did all the legislative stuff  
9 with the budget manager. I didn't go to  
10 hearings. I didn't deal with BCPs. I didn't  
11 do anything. They took care of all that.

12 MR. PATTON: So Michael Harris  
13 understood -- he understands the budget.

14 MR. SAXBY: Oh, yeah.

15 MR. PATTON: What about Ruth? You  
16 say she went to the legislature to advocate  
17 for the appropriations, I assume --

18 MR. SAXBY: Yeah. She --

19 MR. PATTON: -- and the programs  
20 that she wants to --

21 MR. SAXBY: She knows stuff at some  
22 level. I think she -- I'm not -- she was in  
23 the LAO office, so I think at some point, and  
24 so I'd be shocked if she didn't know about  
25 budget stuff.

1 MR. PATTON: Okay.

2 MR. SAXBY: I don't really know her  
3 bio.

4 MR. PATTON: Okay.

5 MR. SAXBY: But Michael, for sure,  
6 was the guy. Every time there was a budget  
7 discrepancy or a discussion or something, he  
8 was involved.

9 MR. PATTON: So you've had occasion  
10 to sit down and have detailed discussions with  
11 Michael --

12 MR. SAXBY: Yeah.

13 MR. PATTON: -- about budget items?

14 MR. SAXBY: Yeah. Going over an  
15 allocation, going over projections.

16 MR. PATTON: You had those same  
17 kinds of conversations ever with Ruth?

18 MR. SAXBY: No --

19 MR. PATTON: Okay.

20 MR. SAXBY: -- never. She was never  
21 in the room.

22 MR. PATTON: But based on her work  
23 in representing the department before the  
24 legislature, you're making it --

25 MR. SAXBY: She was -- she had the

1 budget hearing binder, and it had all the  
2 budget info in there. She had a binder so --

3 MR. PATTON: And you've seen her  
4 walking around heading to the legislature with  
5 it?

6 MR. SAXBY: Yep.

7 MR. PATTON: All right.

8 MR. SAXBY: And she's briefed --  
9 they do a briefing right before the hearings  
10 and stuff to get her prepared.

11 MR. PATTON: I mean, I guess I'm  
12 trying to figure out whether it's even  
13 possible that the person in the director's  
14 seat could -- whether this twenty million  
15 dollars in SPRF funds, this failure --

16 MR. SAXBY: Could not be known by  
17 her?

18 MR. PATTON: Yeah.

19 MR. SAXBY: There's a possibility in  
20 the sense that some directors are outside  
21 directors and they leave their assistant to be  
22 the inside.

23 MR. PATTON: Yeah.

24 MR. SAXBY: And so I wouldn't say  
25 that that's not a possibility, and I can't say

1 one way or the other, but I would think that  
2 my view -- in my view, her and Michael we are  
3 close, and so I would be shocked if he would  
4 have not told her conditions annually.

5 MR. PATTON: Now, you've never been  
6 in a meeting though where this was  
7 specifically discussed --

8 MR. SAXBY: No.

9 MR. PATTON: -- with Ruth present?

10 MR. SAXBY: With Ruth, never.

11 MR. PATTON: You -- I know you've  
12 had meetings with Manuel Lopez, and he's told  
13 you that he's talked to Harris.

14 MR. SAXBY: Yes.

15 MR. PATTON: And have you ever been  
16 in any of these meetings with Harris or  
17 anybody elsewhere this is discussed?

18 MR. SAXBY: Just when we -- when I  
19 was in there with Kirk last December --

20 MR. PATTON: You were in where?

21 MR. SAXBY: -- or in November. In  
22 Michael's office when we talked about Elsie  
23 brought the issue up and we -- and she --

24 MR. PATTON: She brought it to you  
25 and Kirk?

1 MR. SAXBY: Yeah.

2 MR. PATTON: And then you --

3 MR. SAXBY: And I had -- but I  
4 had -- and then I was also briefing Kirk that  
5 this was an issue.

6 MR. PATTON: Okay.

7 MR. SAXBY: And he went up to see  
8 what -- he was just acting, but he went up to  
9 see what we should do, and Michael said we  
10 shouldn't talk about it.

11 MR. PATTON: And you were at that  
12 meeting also?

13 MR. SAXBY: Yes.

14 MR. PATTON: So you've been in  
15 meetings with Elsie, with Kirk, with Michael  
16 Harris, with Manuel Lopez where this was  
17 discussed. Cheryl Taylor also, I assume?

18 MR. SAXBY: Yes.

19 MR. PATTON: Elsie Brenneman.

20 MR. SAXBY: Yes.

21 MR. PATTON: But you've not been in  
22 meetings -- I forgot. Did you tell me you  
23 were in a meeting where Tony Perez --

24 MR. SAXBY: No.

25 MR. PATTON: -- and Bill Herms --

1           MR. SAXBY: That was what Manuel  
2 told me.

3           MR. PATTON: Okay.

4           MR. SAXBY: He was in that meeting.

5           MR. PATTON: Okay. So you've not  
6 been personally --

7           MR. SAXBY: No.

8           MR. PATTON: -- in meetings where  
9 this was discussed with any other Deputy  
10 Directors?

11          MR. SAXBY: No.

12          MR. PATTON: Okay. Have you ever  
13 seen the historical twelve-year history of the  
14 fund discrepancy?

15          MR. SAXBY: No.

16          MR. PATTON: I'm going to show  
17 you -- this is a report generate from the  
18 Finance Department, and the top is the SPRF  
19 fund. And from what I'm being told, the first  
20 year that a number is provided as to what was  
21 underreported is for FY07-08, and I think  
22 that's a 9,452,000.

23          MR. SAXBY: Right.

24          MR. PATTON: And then the next  
25 fiscal year ending '99 is fourteen --

1 MR. SAXBY: Um-hum.

2 MR. PATTON: -- million  
3 approximately. Fiscal year 2000 is -- what is  
4 that? Nineteen --

5 MR. SAXBY: Nineteen-nine.

6 MR. PATTON: Almost twenty million.

7 MR. SAXBY: Wow. Look at  
8 forty-nine-eight.

9 MR. PATTON: And then -- yeah.  
10 FY00-01 it jumps to forty-nine million  
11 something, almost fifty, forty-nine-eight.

12 MR. SAXBY: Yeah.

13 MR. PATTON: And then it comes back  
14 down to twenty-six, goes to twenty-nine for  
15 '03, twenty-six for '04, and then '05 to the  
16 present, last six, seven years it stayed right  
17 around twenty-three, twenty-one, twenty,  
18 nineteen, twenty, right --

19 MR. SAXBY: Um-hum.

20 MR. PATTON: -- it's been hovering  
21 at twenty. Do you know anything about these  
22 prior numbers when they were higher up in  
23 the -- closer to thirty million in this one  
24 year when it was almost fifty?

25 MR. SAXBY: No. I would -- just, to

1 me, someone made a mistake there.

2 MR. PATTON: Yeah.

3 MR. SAXBY: Somebody put a typo in  
4 there somehow.

5 MR. PATTON: That looks like an  
6 outlier somehow.

7 MR. SAXBY: That's a way -- because  
8 then how do you correct it --

9 MR. PATTON: Yeah.

10 MR. SAXBY: -- other than to say you  
11 corrected it in the next year.

12 MR. PATTON: Yeah.

13 MR. SAXBY: And I would -- we'd have  
14 to go back and -- I don't know how you would  
15 find that.

16 MR. PATTON: Well, the number that's  
17 dramatically different here is this top  
18 number, Controller -- what does this say here?

19 MR. SAXBY: "Budgetary Legal Basis  
20 Annual Report".

21 MR. PATTON: Report. And it jumps  
22 from being fifteen, thirty, twenty-six to what  
23 does that say? Eighty-eight?

24 MR. SAXBY: Yeah.

25 MR. PATTON: That's where the big

1 jump is for me, and then it comes back --

2 MR. SAXBY: Yeah.

3 MR. PATTON: -- down to fifty-one,  
4 forty-one. All right. We won't worry about  
5 that. We'll let Finance explain how that  
6 winds up. What do you know, if anything,  
7 about the OHV account, which these are the OHV  
8 account numbers Finance has run, and negatives  
9 are indicated to me to be -- I'm sorry.  
10 Positives are underreports --

11 MR. SAXBY: Right.

12 MR. PATTON: -- where this is money  
13 that was not included in the report, the fund  
14 condition statement, to Finance. Negatives  
15 are overreports --

16 MR. SAXBY: Um-hum.

17 MR. PATTON: -- where more money  
18 than was actually existent was reported to  
19 Finance, and we have several years, one, two,  
20 three, four, five years of overreports, and  
21 then we have whatever it is, eight years of  
22 underreports. Did you ever work with the OHV  
23 numbers?

24 MR. SAXBY: No.

25 MR. PATTON: Who does?

1                   MR. SAXBY:  Somebody in Budgets, but  
2  I  --  
3                   MR. PATTON:  In the same budget  
4  shop  --  
5                   MR. SAXBY:  Yeah, in the same budget  
6  shop.  
7                   MR. PATTON:  The one that's run by  
8  Elsie Brenneman currently?  
9                   MR. SAXBY:  Yeah.  
10                  MR. PATTON:  Okay.  
11                  MR. SAXBY:  But this just  --  this  
12  looks to me like whoever was doing the OHV  
13  fund doesn't understand it.  
14                  MR. PATTON:  Okay.  
15                  MR. SAXBY:  Somebody  --  
16                  MR. PATTON:  Because  --  
17                  MR. SAXBY:  Because there's too  
18  much  --  
19                  MR. PATTON:  --  the numbers are  
20  all  --  
21                  MR. SAXBY:  There's too much up and  
22  down and going around  --  
23                  MR. PATTON:  The numbers are all  
24  over  --  
25                  MR. SAXBY:  --  the general fund,

1     yeah.

2                   MR. PATTON:    The numbers are all  
3     over the map, aren't they?

4                   MR. SAXBY:    Yeah.    And --

5                   MR. PATTON:    In fact, here between  
6     fiscal year ending '01 and '2, we have  
7     basically a seventy-five million dollar  
8     swing --

9                   MR. SAXBY:    Yeah.

10                  MR. PATTON:    -- from a thirty-nine  
11     million dollar underreport to a thirty-five  
12     million dollar overreport.

13                  MR. SAXBY:    Something's wrong.    I  
14     mean, I -- in each year.    And you have  
15     turnover and you have -- they assign it to  
16     people and you get new managers, and the  
17     numbers are squirrely.

18                  MR. PATTON:    Okay.    Numbers are  
19     squirrely.    Let me see your questions there,  
20     Michael.    We're almost done here.

21                  MR. SAXBY:    Yep.

22                  MR. PATTON:    Do you -- when -- were  
23     there any e-mails, any documents generated  
24     about these conversations when -- first person  
25     to bring it to your attention, you said, was

1 in --

2 MR. SAXBY: Cheryl.

3 MR. PATTON: Cheryl Taylor in --

4 MR. SAXBY: 2010.

5 MR. PATTON: -- April of 2010.

6 MR. SAXBY: Yeah.

7 MR. PATTON: And then you brought it  
8 to Manuel's attention, and he said, yeah, I  
9 know, I've talked with upper management --

10 MR. SAXBY: Yeah.

11 MR. PATTON: -- I've talked to the  
12 management team, it's not going to get fixed.  
13 Is there any paper trail of any of this  
14 conversation?

15 MR. SAXBY: No, not of the  
16 conversation. There would just be documents,  
17 and I don't even know if they exist of the one  
18 version and then the next version when the --

19 MR. PATTON: Version of what?

20 MR. SAXBY: The fund condition.

21 MR. PATTON: Okay.

22 MR. SAXBY: I mean, there would have  
23 been -- I would have brought him one, and he'd  
24 say, no, and he said I'm going to fix that,  
25 and he would have gone and fixed it.

1 MR. PATTON: Oh, so there should be  
2 some if they were saved.

3 MR. SAXBY: If they were saved.

4 MR. PATTON: Because, as you  
5 indicated before, it would be buried, we would  
6 bury this additional --

7 MR. SAXBY: You would -- yeah, you  
8 would have --

9 MR. PATTON: -- if I had --

10 MR. SAXBY: -- seen the number  
11 change.

12 MR. PATTON: By changing the prior  
13 year adjustment number.

14 MR. SAXBY: Yeah, somehow, yeah. So  
15 there would be --

16 MR. PATTON: Prior iterations.

17 MR. SAXBY: Yeah. I don't know -- I  
18 could never find archived stuff around here.

19 MR. PATTON: Why do you think that  
20 is? You're laughing.

21 MR. SAXBY: Because they were all  
22 new people and they really -- there wasn't --  
23 like they weren't coming into a desk job that  
24 had desk procedures and here's where you put  
25 stuff and here's where you file it.

1 MR. PATTON: Well, we're also  
2 talking about -- we're playing with the number  
3 in the fund condition statement, we're making  
4 changes to bury a hidden surplus.

5 MR. SAXBY: Yeah, but I would -- if  
6 it had been me, I'd have had all the versions  
7 because I wouldn't have thought anything about  
8 it or just fixing it, and someone's telling me  
9 what the right number is.

10 MR. PATTON: Yeah, but we're facing  
11 it the wrong way. We're not fixing it and  
12 coming clean.

13 MR. SAXBY: But the analyst  
14 doesn't --

15 MR. PATTON: We're burying it.

16 MR. SAXBY: The analyst doesn't know  
17 that that's working on it.

18 MR. PATTON: Oh. Doesn't know what  
19 we're doing.

20 MR. SAXBY: He just -- yeah, he's  
21 just -- these -- when I got there, the people  
22 that were in there were not a knowledgeable  
23 group. They were brand new.

24 MR. PATTON: So if you tell them  
25 change the number --

1 MR. SAXBY: Just change the  
2 number --

3 MR. PATTON: -- on the prior year  
4 adjustment --

5 MR. SAXBY: -- and they would just  
6 do it.

7 MR. PATTON: -- they just do it.

8 MR. SAXBY: They would just change  
9 the number.

10 MR. PATTON: They're not going to  
11 investigate and see whether or not the number  
12 you're --

13 MR. SAXBY: Their boss would have  
14 had to have trained them why and how and --

15 MR. PATTON: Okay. So there may be  
16 some documentation -- you don't know, but the  
17 archiving is not very good.

18 MR. SAXBY: No.

19 MR. PATTON: All right. When these  
20 fund condition statements get sent over,  
21 who -- under whose authority -- whose name is  
22 on these things as they get transmitted?

23 MR. SAXBY: It's not a -- it's a --  
24 not like that. It's a -- the fund condition  
25 is a document that we have that Finance sends

1 us the blank form or a beginning form and then  
2 we fill it in and then just send it back to  
3 them.

4 MR. PATTON: It's a form, a  
5 fill-in-the-blanks form.

6 MR. SAXBY: Yeah, it's a  
7 fill-in-the-blanks form in the governor's  
8 budget blueprint.

9 MR. PATTON: But it's a paper form,  
10 gets submitted paper and electronic?

11 MR. SAXBY: I think just electronic.  
12 I think just electronic; I'm not --

13 MR. PATTON: You'd never -- you've  
14 never --

15 MR. SAXBY: I haven't filled one  
16 out.

17 MR. PATTON: -- prepared one of  
18 these? Okay. So you don't know if anybody's  
19 signing off on this physically?

20 MR. SAXBY: I don't know. Heck, I  
21 might have signed off on it.

22 MR. PATTON: Well, you just said  
23 you'd never done one.

24 MR. SAXBY: Well, I haven't, but  
25 they might have brought one to me and said,

1 here, sign this.

2 MR. PATTON: Oh. Well --

3 MR. SAXBY: When it's just the  
4 technical budget, it's a different --

5 MR. PATTON: Does it go through a  
6 review process? It's worked up by the budget  
7 manager, right?

8 MR. SAXBY: Yeah.

9 MR. PATTON: That's their  
10 responsibility.

11 MR. SAXBY: Yeah. And once Manuel  
12 said that's the one that he wants, and I just  
13 don't --

14 MR. PATTON: Okay. Wait, wait,  
15 wait.

16 MR. SAXBY: Yeah.

17 MR. PATTON: Procedurally, the Admin  
18 Services Officer, then Deputy Director of  
19 Admin Services will look at what the budget  
20 managers put together and will say whether or  
21 not this is what's --

22 MR. SAXBY: Yes.

23 MR. PATTON: -- give the approval.

24 MR. SAXBY: Yes.

25 MR. PATTON: Does the Admin Services

1 Director go to the Assistant Director or  
2 Director with the fund condition statement  
3 prior to transmission?

4 MR. SAXBY: I would have believed  
5 that Manuel took everything to Michael.

6 MR. PATTON: Okay.

7 MR. SAXBY: I'd be shocked if he  
8 didn't.

9 MR. PATTON: Given Michael's prior  
10 experience doing this --

11 MR. SAXBY: Yes, and being so  
12 involved in the budget.

13 MR. PATTON: Okay. What about -- do  
14 you have an opinion on whether or not this is  
15 the sort of thing that would have been shown  
16 to the Director?

17 MR. SAXBY: I would think not.

18 MR. PATTON: No.

19 MR. SAXBY: Yeah. It's technical.

20 MR. PATTON: Okay. Well -- so you  
21 indicated before you kind of like creative.  
22 You've worked in this -- it's a bureaucracy.

23 MR. SAXBY: Um-hum.

24 MR. PATTON: And trying to run a  
25 department, it takes money. And you indicated

1 you like creativity. What's my question? I  
2 guess I don't want to ask a specific question.  
3 I guess I'm just -- you seem, Mr. Saxby, like  
4 a man with a lot of knowledge about how  
5 department finance operations work. You're  
6 nodding your head.

7 MR. SAXBY: Yes.

8 MR. PATTON: You also have some  
9 historical knowledge about how things worked  
10 in other areas.

11 MR. SAXBY: Yes.

12 MR. PATTON: And I gleaned from our  
13 conversation that at times liberties have been  
14 taken.

15 MR. SAXBY: Yes.

16 MR. PATTON: And I think that when  
17 one winds up reviewing your transcript, which  
18 won't be made available until after this  
19 investigation is done, you may be a person  
20 that some other people may want to talk to to  
21 learn more about how agencies are able to take  
22 liberties until the bureaucratic funding  
23 process.

24 MR. SAXBY: It's not just the  
25 agencies. Finance is part of the creative

1 process.

2 MR. PATTON: When you say that, you  
3 mean --

4 MR. SAXBY: They tell --

5 MR. PATTON: "They," the Department  
6 of Finance?

7 MR. SAXBY: The Department of  
8 Finance. They have issues, bureaucratic  
9 issues, people that don't know what they're  
10 doing issues, strategies, and they tell you  
11 what to do.

12 MR. PATTON: All right. I will  
13 leave the further examination and entire state  
14 world of finance operations for another day.  
15 And we appreciate your time. You have my  
16 card.

17 MR. SAXBY: Yes.

18 MR. PATTON: Is there anything else  
19 that maybe we should have discussed that you  
20 were expecting we might have a conversation  
21 about?

22 MR. SAXBY: Nope.

23 MR. PATTON: No.

24 MR. SAXBY: I think you got it all.

25 MR. PATTON: Actually, I didn't ask

1 you about your son-in-law, Paul Furry. I saw  
2 that Corrine Murphy had asked you about his  
3 appointment.

4 MR. SAXBY: Yes.

5 MR. PATTON: And I read in the  
6 transcript where you had brought his resume  
7 and given it to people in IT, the IT section,  
8 which is part of Admin Services here?

9 MR. SAXBY: Yes.

10 MR. PATTON: They expressed interest  
11 in him.

12 MR. SAXBY: Yes.

13 MR. PATTON: And he was appointed.

14 MR. SAXBY: Yes.

15 MR. PATTON: She asked you if there  
16 had been --

17 MR. SAXBY: Manuel had helped in any  
18 way.

19 MR. PATTON: Well?

20 MR. SAXBY: No.

21 MR. PATTON: No. She asked you --  
22 oh, thanks for finishing that.

23 MR. SAXBY: Oh, I'm sorry.

24 MR. PATTON: That's okay. She had  
25 asked you if there had been an interview, a

1 panel, and you started to answer the question  
2 and then you got cut off. So I'm just curious  
3 about who made the hiring decision to hire  
4 your son-in-law. I'm curious about two  
5 things.

6 MR. SAXBY: Yes.

7 MR. PATTON: Did he go through the  
8 competitive hiring process?

9 MR. SAXBY: Yes.

10 MR. PATTON: He filled out the form.

11 MR. SAXBY: Yes.

12 MR. PATTON: He did the exam --

13 MR. SAXBY: Yes.

14 MR. PATTON: -- to be appointed  
15 as -- he got appointed as what?

16 MR. SAXBY: SSM1.

17 MR. PATTON: Okay. And to your  
18 knowledge, he passed that exam, qualified, and  
19 made the eligibility list?

20 MR. SAXBY: Yeah. He was on the  
21 cert list.

22 MR. PATTON: And did he go through  
23 an interview process then?

24 MR. SAXBY: Yes.

25 MR. PATTON: And there were

1 competitors?

2 MR. SAXBY: Yes.

3 MR. PATTON: And who then made the  
4 hiring decision?

5 MR. SAXBY: I think Jason.

6 MR. PATTON: In personnel?

7 MR. SAXBY: Yeah, as the panel, the  
8 panel made the decision.

9 MR. PATTON: Who would a panel  
10 normally be made up of?

11 MR. SAXBY: It was Jason and Paris.

12 MR. PATTON: Personnel?

13 MR. SAXBY: Yeah.

14 MR. PATTON: Why would I --

15 MR. SAXBY: Well -- and I was on the  
16 panel at the beginning, and then I realized  
17 that I needed to get out because he was in  
18 there.

19 MR. PATTON: So it started off as a  
20 three-person panel --

21 MR. SAXBY: Yeah.

22 MR. PATTON: -- with you and Jason  
23 and Paris?

24 MR. SAXBY: Yeah.

25 MR. PATTON: And then you got out?

1 MR. SAXBY: Yeah, that was just to  
2 have a personnel and a woman.

3 MR. PATTON: And did you participate  
4 in any of the discussions with the panel?

5 MR. SAXBY: No.

6 MR. PATTON: What did -- what was  
7 your involvement on the panel, the extent of  
8 it? Did you --

9 MR. SAXBY: Asking questions.

10 MR. PATTON: So you were part of an  
11 interview panel?

12 MR. SAXBY: Yeah.

13 MR. PATTON: And you realized later  
14 on that you shouldn't be on that panel?

15 MR. SAXBY: Yes.

16 MR. PATTON: What -- how much later?

17 MR. SAXBY: At the -- after we had  
18 interviewed everybody and we were starting  
19 to -- going to go into the next thing, I said,  
20 I can't be a part of this.

21 MR. PATTON: The selection --

22 MR. SAXBY: Yeah.

23 MR. PATTON: -- the deliberations  
24 over the selection?

25 MR. SAXBY: The deliberation and

1 selection, right.

2 MR. PATTON: So you participated in  
3 all the interviews. Do you remember how many  
4 interviews there were?

5 MR. SAXBY: Six or seven, I think.  
6 I don't really remember. There's a document  
7 that has them all.

8 MR. PATTON: Okay. What made you  
9 realize that it was probably not appropriate  
10 for you to be on the panel?

11 MR. SAXBY: When I could see that my  
12 son-in-law really did well.

13 MR. PATTON: So he became a viable  
14 contender.

15 MR. SAXBY: Yeah.

16 MR. PATTON: And then you decided at  
17 that point you probably shouldn't be part of  
18 the selection panel.

19 MR. SAXBY: I can't be part of the  
20 selection panel.

21 MR. PATTON: Didn't it seem a little  
22 strange to you that you were on it to begin  
23 with?

24 MR. SAXBY: Well, it was -- the  
25 vacancies were under me and -- that we were

1 interviewing for, so I didn't.

2 MR. PATTON: So it was -- had you --  
3 you had participated in that kind of a panel  
4 before?

5 MR. SAXBY: Lots of interview  
6 panels.

7 MR. PATTON: Okay. Did you -- do  
8 you -- Tina Williams is -- what's her  
9 position? She a manager of law enforcement  
10 side?

11 MR. SAXBY: Yes.

12 MR. PATTON: She the top --

13 MR. SAXBY: She's the deputy in  
14 charge of LEES.

15 MR. PATTON: Law Enforcement --

16 MR. SAXBY: Law Enforcement --

17 MR. PATTON: -- and Emergency  
18 Services?

19 MR. SAXBY: Emergency Services  
20 maybe. I'm not sure what the title is.

21 MR. PATTON: She's a Deputy  
22 Director. She is the head of that section?

23 MR. SAXBY: She's the head of that  
24 section.

25 MR. PATTON: And I'm not going to

1 rehash the whole leave buyback thing.

2 MR. SAXBY: Okay.

3 MR. PATTON: But I am curious about  
4 one thing. I saw that her numbers -- she was  
5 a large -- she was the second largest  
6 recipient of funds out of that, and I saw that  
7 her accrued hours were over 1,600.

8 MR. SAXBY: Yeah.

9 MR. PATTON: Is -- does that seem a  
10 little -- is that unusual for people to get  
11 that high?

12 MR. SAXBY: I don't think in terms  
13 of those managers that are the police get  
14 those hours.

15 MR. PATTON: The police.

16 MR. SAXBY: Yeah.

17 MR. PATTON: Why is that? Why did  
18 they uniquely accrue such high balances?

19 MR. SAXBY: Because they're  
20 dedicated and work all the time and don't take  
21 vacation.

22 MR. PATTON: And nobody has them  
23 take vacation.

24 MR. SAXBY: Hasn't made them. I  
25 would have to -- yeah, I would assume that

1 most of the people that are at her level have  
2 high leave balances.

3 MR. PATTON: You weren't in charge  
4 of whether or not she took time off so --

5 MR. SAXBY: No.

6 MR. PATTON: And you weren't in  
7 charge of monitoring leave balances?

8 MR. SAXBY: No.

9 MR. PATTON: Personnel is?

10 MR. SAXBY: Yeah.

11 MR. PATTON: Okay. All right. If  
12 you later decide there's something that you  
13 need to elaborate on or to correct or that you  
14 simply feel like, you know what, we probably  
15 should have discussed this also, another  
16 conversation I had with somebody about these  
17 undisclosed funds --

18 MR. SAXBY: Yeah.

19 MR. PATTON: -- something relevant,  
20 I want you to contact me, okay?

21 MR. SAXBY: Okay.

22 MR. PATTON: You've got my card.  
23 That's my direct office line. Mr. Mattson and  
24 I can set up a brief telephone additional  
25 interview --

1 MR. SAXBY: Okay.

2 MR. PATTON: -- to record. Okay.

3 So we've had a long conversation. If anything  
4 comes to mind later that we -- that should  
5 have been talked about or that you want to  
6 make a correction, a clarification, expand on,  
7 you let me know. Don't be afraid to do that.

8 MR. SAXBY: Okay.

9 MR. PATTON: Okay?

10 MR. SAXBY: Okay.

11 MR. PATTON: I've had that happen a  
12 couple times.

13 MR. SAXBY: Sure.

14 MR. PATTON: There's nothing wrong  
15 with that.

16 MR. SAXBY: Yeah, no.

17 MR. PATTON: Yeah, because we  
18 touched on a lot of things.

19 MR. SAXBY: Yeah.

20 MR. PATTON: And I appreciate your  
21 time.

22 MR. SAXBY: Thank you.

23 MR. PATTON: Okay. We'll go off the  
24 record. It's now 4:02.

25 (End of audio)

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TRANSCRIBER'S CERTIFICATE  
Dave Saxby interview on 8-27-12

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[automated - build]

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[p.m. - patton]

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[patton - process]

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[process - reporting]

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